



1. OFFICE OF THE CITY MANAGER  
CITY OF TSHWANE ANNUAL REPORT 2010/11  
(From the Mayoral Committee: 18 January 2012)

1. PURPOSE

The purpose of the report was to seek approval of the Audit and Performance Committee to table the City of Tshwane Annual Report 2010/11 to Council by end January 2011, as per legislative requirements.

2. STRATEGIC OBJECTIVES

This report addresses strategic objective number 5.1 of the 2010/11 IDP: Promote sound governance.

3. BACKGROUND

The MFMA and MSA require the development of an annual report for each financial year. MFMA section 121 (3)(c) requires the submission of an annual performance report (fourth quarter performance report) to be submitted with the City's financial statements to the Auditor General. This was done by end August 2011 and the consolidated annual performance report, including performance information of the entities was submitted to the AG by end September 2011, together with the consolidated financial statements.

4. DISCUSSION

4.1 CONTENTS OF THE ANNUAL REPORT

| Component of the Annual Report                                | Details required   |
|---|--|
| Chapter 1: Introduction and Overview                          | Foreword of the Executive Mayor<br>Executive Review by the City Manager<br>Report of the Audit Committee<br>1.1 Introduction and Overview<br>1.2 Overview of the Municipality<br>1.3 Executive Summary |
| Chapter 2: Performance Highlights                             | 2.1 A brief account of the services provided by the municipality<br>2.2 The performance highlights for the year  |
| Chapter 3: Human resource and other organizational Management | This chapter should include the following:<br>3.1 Organisational structure<br>3.2 Staff information and trends in personnel expenditure<br>3.3 Disclosure of senior staff benefits                     |

| <b>Component of the Annual Report</b>                           | <b>Details required</b>  |
|---|--|
|   | 3.4 Employment Equity<br>3.5 Staff development   |
| Chapter 4: Audited statements and related financial information | 4.1 The Audited Financial Statements of the CoT<br>4.2 The Audit Report of the Auditor-General for each financial statement<br>4.3 The Budget, providing the comparison against the original budgeted figures as approved by the Budget Resolution<br>4.4 Management Comments and Corrective Action in terms of Section 121(4)(e) of MFMA.                                 |
| Chapter 5: Functional area service delivery reporting           | Provides comprehensive information on each functional area (GFS sub-function) provided by the municipality. It includes:<br>5.1 An overview including demographic statistics and the Corporate Performance Report<br>5.2 The summary of strategic objectives, description and detailed analysis of each function, including Key Performance Areas, targets and objectives. |
| Chapter 6: Annual reports of Municipal Entities                 | Provides annual reports of the Municipal Entities of CoT   |

#### 4.2 CHALLENGES EXPERIENCED IN COMPILED THE ANNUAL REPORT

The challenges experienced were with regard to reporting and reporting systems, and these are being addressed by the Municipality.

#### 4.3 NEXT STEPS

The Auditor General requires a printer's proof of the Annual Report for sign off. It is important that this is done before approvals and printing. As per the approved Annual Report Process Plan, the printers proof is required from marketing and communications, and the CM must ensure that it is submitted to the AG. It is important to ensure that the integrity of the AG report and the financial statements are not tampered with in the layout of the document for printing purposes. The source formatting must apply.

All relevant stakeholders must be invited to the Council meeting in January where this report is to be tabled. As per the approved Annual Report Process Plan, this is the responsibility of the Governance Office.

Once the document is tabled at Council, Marketing and Communications must advertise the document for public comment for 21 days. Thereafter, the City Manager has to compile a report to MPAC indicating how the public comments on the annual report have been addressed.

Council must then consider the MPAC (oversight report) when deciding whether to approve the Annual Report at a Council meeting in March, to which all relevant stakeholders including the AG have been invited.

5. COMMENTS OF THE STAKEHOLDER DEPARTMENTS

5.1 COMMENTS OF THE STRATEGIC EXECUTIVE DIRECTOR: CORPORATE AND SHARED SERVICES

5.1.1 LEGAL SERVICES

Section 121 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003, hereinafter referred to as 'the MFMA, 2003'), provides as follows:-

**121 Preparation and adoption of annual reports**

(1) Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

(2) The purpose of an annual report is-

- (a) to provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;
- (b) to provide a report on performance against the budget of the municipality or municipal entity for that financial year; and
- (c) to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

(3) The annual report of a municipality must include-

- (a) the annual financial statements of the municipality, and in addition, if section 122 (2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126 (1);
- (b) the Auditor-General's audit report in terms of section 126 (3) on those financial statements;
- (c) the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;
- (d) the Auditor-General's audit report in terms of section 45 (b) of the Municipal Systems Act;
- (e) an assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges;
- (f) an assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year;

- (g) *particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);*
- (h) *any explanations that may be necessary to clarify issues in connection with the financial statements;*
- (i) *any information as determined by the municipality;*
- (j) *any recommendations of the municipality's audit committee; and*
- (k) *any other information as may be prescribed.*

(4) *The annual report of a municipal entity must include-*

- (a) *the annual financial statements of the entity, as submitted to the Auditor-General for audit in terms of section 126 (2);*
- (b) *the Auditor-General's audit report in terms of section 126 (3) on those financial statements;*
- (c) *an assessment by the entity's accounting officer of any arrears on municipal taxes and service charges;*
- (d) *an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms the service delivery agreement or other agreement between the entity and its parent municipality;*
- (e) *particulars of any corrective action taken or to be taken in response to issues raised in the audit report referred to in paragraph (b);*
- (f) *any information as determined by the entity or its parent municipality;*
- (g) *any recommendations of the audit committee of the entity or of its parent municipality; and*
- (h) *any other information as may be prescribed.*

(my emphasis and underlining)

The report is submitted in compliance with the requirements of the provisions of the MFMA, 2003. Without derogating from the generality of all of the above provisions this Legal Division would like to draw specific attention to paragraph g of subsection 3 of section 121 which requires that the report must also indicate particulars of **corrective action** that was taken in the event of certain targets not having been met.

As such this Legal Division has taken cognisance of the contents of the report and submit that the same is legally in order.

## 5.2 COMMENTS OF THE CHIEF FINANCIAL OFFICER

The purpose of the report is for cognisance to be taken of the contents of 2010/11 Annual Performance Report to the Auditor General as per Chapter 12 of the MFMA and section 46 of the MSA.

Cognisance is taken of the purpose and contents of the report.

All financial implications emanating as a result of this report must be managed within the limitations of the relevant departments Medium-Term Revenue and Expenditure Framework.

## 5.3 COMMENTS OF THE OFFICE OF THE CHIEF AUDIT EXECUTIVE

### 6. IMPLICATIONS

#### 6.1 HUMAN RESOURCES

None.

#### 6.2 FINANCES

The printing of the Annual Report 2010/11 will be done by Marketing and Communications, and they have the available budget.

#### 6.3 CONSTITUTIONAL AND LEGAL FACTORS

The Annual Report has been developed in accordance with the requirements of the Municipal Financial Management Act (MFMA) and the MSA.

#### 6.4 COMMUNICATIONS

This report must be submitted to the Auditor General for sign off before it is tabled at Council. All stakeholders as per the approved process plan must be invited to the Council meetings of January and March where this report is to be tabled and considered for approval respectively. The document must then be printed and circulated to all stakeholders.

#### 6.5 PREVIOUS COUNCIL AND MAYORAL COMMITTEE RESOLUTIONS

The Annual Performance report was tabled at the Mayoral Committee on 3 August 2011 resolved as follows:

"RESOLVED:

1. That the report be audited by internal audit;
2. That all references to Metsweding Economic Development Agency (MEDA) be deleted from the report; and

3. That a full investigation on MEDA be conducted and a report be submitted to the Mayoral Committee."

## 7. CONCLUSION

Legislation requires that the City reports on performance against its service delivery targets and finances. This annual report reports against the service delivery targets as captured in the IDP and SDBIP, the financial targets as captured in the MTREF and as adjusted through the adjusted budget and adjusted SDBIP.

**The Mayoral Committee on 18 January 2012 resolved to recommend to Council as set out below:**

**IT WAS RECOMMENDED (TO THE COUNCIL: 26 JANUARY 2012):**

1. That the City of Tshwane Annual Report 2010/11 be approved; and
2. That the City Manager submits a printer's proof of the Annual Report 2010/11 for sign off before the Council Meeting of January 2012 and that all source formatting of the Auditor General's report and the financial statements must be maintained to ensure integrity of.

**After the Speaker has officially tabled the 2010/11 Annual Report inclusive of the reports of the Municipal Entities to Council on 26 January 2012, the Executive Mayor seconded by Cllr D Chauke proposed that the report be submitted to MPAC for oversight purposes and it be resubmitted to Council in March 2012 for deliberations and approval in terms of Section 129 of the Municipal Finance Management Act.**

**The Council acceded to the Executive Mayor's proposal and thereafter resolved as set out below:**

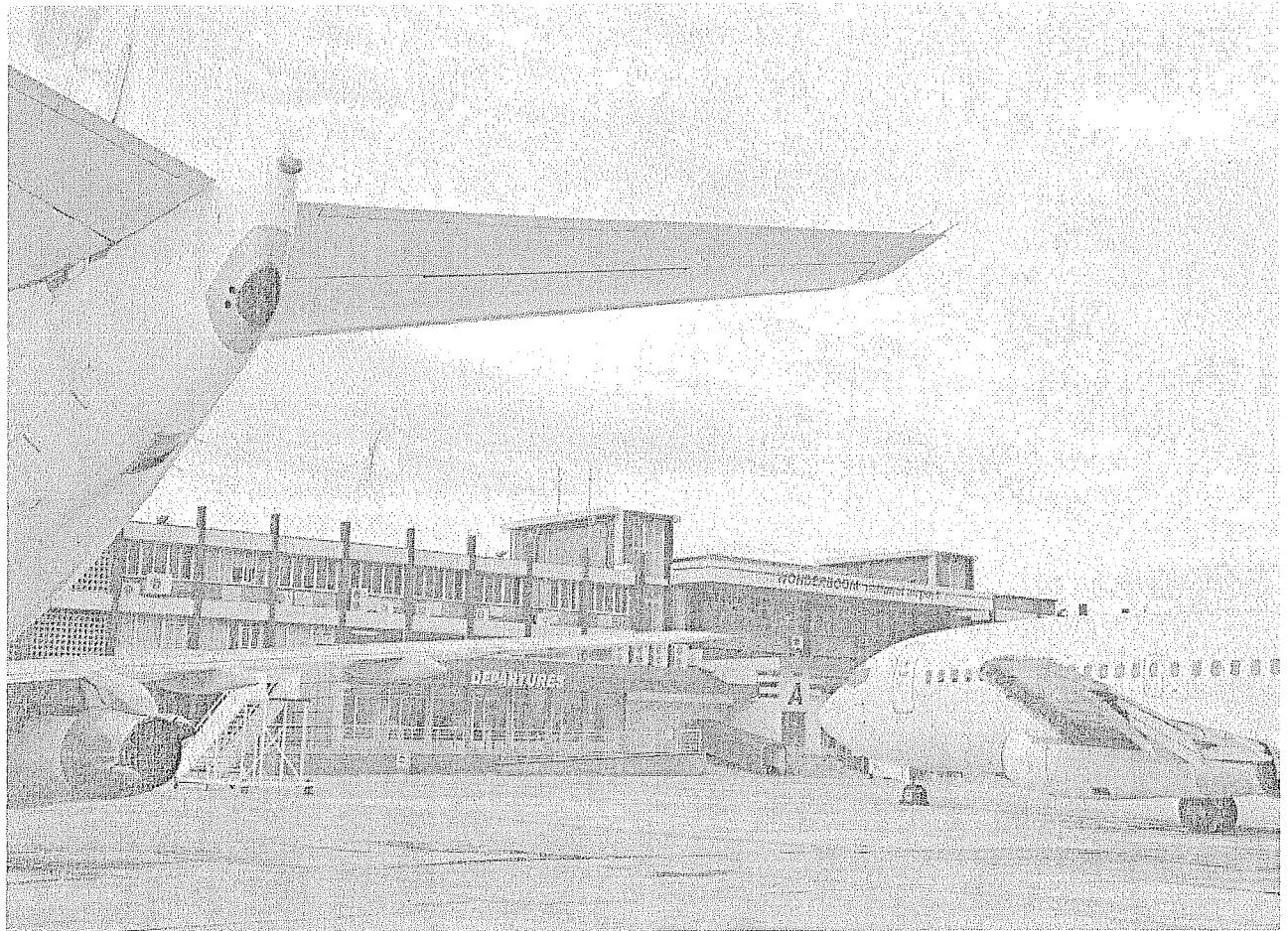
**ANNEXURE:**

- 1 Annual Report for City of Tshwane 2010/11

**RESOLVED:**

1. That the City of Tshwane Annual Report 2010/11 be approved; and
2. That the City Manager submits a printer's proof of the Annual Report 2010/11 for sign off before the Council Meeting of January 2012 and that all source formatting of the Auditor General's report and the financial statements must be maintained to ensure integrity of.
3. That the 2010/11 Annual Report be submitted to MPAC for oversight purpose and it be resubmitted to the Council meeting of 29 March 2012 for deliberations and approval in terms of Section 129 of the Municipal Finance Management Act.





Chapters 1,2,3,4,5 &  
6  
2010/11 Annual  
Report

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## **GLOSSARY OF TERMS**

|        |                                     |
|--------|-------------------------------------|
| (SMME) | Small, medium and micro enterprises |
| (SEDA) | Small Enterprise Development Agency |

|            |  |
|------------|--|
| (GEP)      | Gauteng Enterprise Propeller                             |
| (USAID)    | United States Aid  |
| (IBA)      | Institute of Business Advisors                           |
| (RDP)      | Reconstruction and Development Programme                 |
| FIFA       | Federation International Football Association            |
| (WBA)      | Wonderboom Airport                                       |
| (PMR)      | Performance Management Report                            |
| (HIV/AIDS) | Human Immune Virus / Acquired Immune Deficiency Syndrome |
| (TB)       | Tuberculosis   |
| (MIS)      | Management Information System                            |
| (SDBIP)    | Service Delivery Budget Implementation Plan              |
| (LG SETA)  | Local Government Sector Education Training Authority     |
| (IRF)      | International Road Federation                            |
| (DWAF)     | Department Water Affairs and Forestry                    |
| (MFMA)     | Municipal Finance Management Act                         |
| (MMC)      | Member of the Mayoral Committee                          |
| (GRAP)     | Generally Recognised Accounting Practice                 |
| (MTREF)    | Medium Term Revenue and Expenditure Framework            |
| (PTIS)     | Public Transport Infrastructure and Systems Grant        |
| (MIG)      | Municipal Infrastructure Grant                           |
| (NER)      | National Electricity Regulator                           |
| (TEDA)     | Tshwane Economic Development Agency                      |
| (Cenbis)   | Tshwane Centre for Business Information and Support      |
| (CCPC)     | Centurion Community Protection Company                   |
| (CRR)      | Capital Replacement Reserve                              |
| (CR)       | Capital Reserve  |

- (COID) Compensation for occupational injuries and diseases
- (ME) Municipal Entities
- (MEDA) Metswedeng Economic Development Agency

# CHAPTER 1:

## 1.1 FOREWORD BY THE EXECUTIVE MAYOR

We have just celebrated the 10<sup>th</sup> anniversary of the formation of the City of Tshwane through the amalgamation of 13 previously independent municipalities such as Pretoria, Odi, Winterveld, Hammanskraal and Centurion. From its inception the City of Tshwane has always been guided by the national imperative of building a democratic developmental local government.

This building process evolved through two distinct phases. The first one was characterised by integration and the building of foundations. The emphasis was on fine-tuning the policy landscape and harmonising the structures, systems and traditions of the different municipalities that came to constitute the City of Tshwane.

The second phase was characterised by consolidation. This phase was devoted to the strengthening of our implementation machinery and the clean-up of the systems in the various arms of the City of Tshwane. The end of the second phase also marks the end of the five-year term since the 2006 local government elections. The appraisal of our performance as we end this term will help generate valuable insights that will guide our future endeavours to enhance the quality of life of all the residents of Tshwane.

The 2010/11 financial year symbolises a coming of age for the City. Following the tremendous success of the 2010 FIFA World Cup, the City, like the country as a whole, has had to take stock and see how far we have come. Revelling in the aftermath, we have also taken the lessons to heart and used them to grow into "adulthood". This steady climb has been the cornerstone of the year under review.

Over the past decade, the economy of Tshwane has enjoyed above average growth rates compared to the national and the Gauteng averages. The city's economy grew by 3,8% in 2010, using the value-added index, and is forecast to grow further to a high of 4,7% in 2014.

Tshwane recorded the lowest unemployment levels in Gauteng during the period under review. Endeavours to keep the numbers lower than elsewhere and to encourage sustainable self-sufficiency and employment through small, medium and micro enterprise (SMME) support have taken on the form of partnerships with other organisations.

Key stakeholders in the SMME development programme included the Small Enterprise Development Agency, the Gauteng Enterprise Propeller, Khula Enterprise Finance Ltd, the National Youth Development Agency, Standard Bank, Royal Fields Finance, the United States Agency for International Development and the Institute of Business Advisors. The coordinated effort made it easy for SMMEs to access the right support

services at the right time and in the right order. The support programmes ranged from basic financial literacy, business administration and financial management to export orientation and mentorship. All these interventions were aimed at ensuring that entrepreneurs were set up who could compete not only locally, but also internationally. A total of 5 814 SMMEs benefited from the SMME support programme during the period under review.

The Enterprise Development Programme provides development support to SMMEs through mentorship and leadership programmes, as well as basic and advanced management training programmes targeting both potential and existing entrepreneurs. These programmes empower them to manage their enterprises profitably and competitively at national and even global level.

The introduction of the New Growth Path by national government has further committed the City to create jobs, and South Africa to work with other countries on the continent to build an integrated African economy that embraces one billion consumers, and to focus immediately on expanding economic links with the rest of the continent.

Six key sectors have been identified for unlocking employment opportunities. These are: infrastructure development, agriculture, mining, the green economy, manufacturing and tourism. They are being addressed via the City's Expanded Public Works Programme and the other initiatives mentioned above.

In its drive to ensure that the disadvantaged enjoy quality living standards, the City's Level 1 and Level 2 housing accreditation will go a long way to help us do much more in this regard. Furthermore, this accreditation has come at the right time, as Tshwane's borders have recently been extended to include the Metswedding area, making us the third largest metropolitan area in the world.

In conclusion, we owe respect to the men and women of the Fire Brigade Services, who dare dangerous fires, attend to the most horrific accident scenes and put their lives on the line to rescue people during natural disasters. We once again wish to pay our respects to all our colleagues who lost their lives in the line of duty. Their heroic deeds remain an embodiment of that spirit of selflessness the City of Tshwane is trying to cultivate. of efficiency and effectiveness in helping communities in times of need.

## 1.2 FOREWORD BY THE CITY MANAGER

The 2010/11 financial year was characterised by change and challenge, as it marked the end of the five-year political term and the beginning of a new City of Tshwane – one that had merged with the Metswedeng, Kungwini and Nokeng tsa Taemane municipalities. This makes the City one of the largest metropolitan municipalities worldwide.

The annual report presented here provides an opportunity to review the City's performance over the previous financial year and the five-year period commencing in 2006.

Despite the challenges faced in basic service delivery and infrastructure development, we remained optimistic about our achievements during the 2010/11 financial year, given our capital expenditure of R2,1 million, which was 89% of the adjusted budget of R2,4 million.

The most notable achievements for the 2010/11 financial year in the area of service delivery were:

- 101 km of bulk water infrastructure was installed against a target of 85 km, indicating that the backlog was steadily being diminished;
- 33 km of sewer connections were upgraded and replaced against the annual target of 28 km;
- 1 531 houses were electrified against the target of 620, which translated into a 247% achievement;
- 1 797 new street lights were installed across Tshwane against a target of 360, thereby meeting the City's objective of creating a safer city; and
- connections were provided to all commercial and industrial business applicants who applied for this service.

In addition to basic service provision, the City constantly aimed to improve its own economic stance by providing opportunities for job creation and economic growth. To this end, 680 volunteers were trained during the FIFA World Cup, mainly in the fields of tourism and language support to foreign visitors. The tourism industry in Tshwane also benefited greatly from the establishment of bed and breakfast facilities, as did the unemployed from the associated job opportunities.

Investments in 2010/11 amounted to R362,5 million in total, comprising R297 million by City Lodge in Lynnwood and Hatfield, R40 million for electricity supply to the Automotive Supplier Park by a Blue IQ investment holding company, R24 million for the recycling of tyres and plastic by Innovative Recycling and R1,5 million by Nestlé.

The Gauteng Department of Finance recorded the highest trade surplus (R77,4 billion) since 2009, to which Tshwane's high export rate for vehicles, vehicle equipment, base metals and mineral products contributed significantly.

Investments included R106 million from TATA and Wonderboom Airport in the 2006/07 financial year, R713,9 million from the automotive sector in the 2007/08 financial year, R817 million from Ford and Nissan in the 2008/09 financial year and R6,410 billion from Ford, BMW, KLT, Motherson and Magnetto in the 2009/10 financial year.

As mentioned earlier, these achievements all impacted on the five-year achievements of the City of Tshwane. The investments contributed to the creation of 221 848 formal job opportunities – an improvement on the five-year target of 211 707, which translated into a 104% achievement for the City in terms of job opportunities created through investment. Most of the beneficiaries were women, children, youth, the elderly and people living with disability, sourced from the indigent register of the City of Tshwane.

In terms of improved municipal financial management and administrative capacity, the Office of the Auditor-General issued an unqualified audit opinion in the 2009/10 financial year (the first clean audit since the 2005/06 financial year). This achievement was sustained through the following support programmes:

- Operation Clean Audit (a special mayoral working committee was established, chaired by the Executive Mayor);
- Revenue enhancement and debt management programme; and
- Capacity-building programmes focusing on skills training and development.

The unqualified audit opinion signified improved levels of accountability regarding efficient and effective service delivery among our managers and political leaders, regardless of the economic slowdown.

The changed financial outlook for the City of Tshwane indicated that our efforts paid off. The negative financial outlook announced by Moody's on 7 July 2009 was changed to a stable grading on 30 November 2010. Moody's ascribed this to the effectiveness of the City of Tshwane's efforts to recover, which resulted in improved liquidity and cash flow after the fiscal challenges of 2008/09.

Local government plays a leading role in South Africa's struggle against poverty, underdevelopment and the deepening of democracy. In pursuit of this, the City of Tshwane continued to provide quality and sustainable services to its citizens, including those of Metswedding, while eradicating service backlogs in water and sanitation services, road construction, electrification and housing.

In moving towards our 2030 vision and turning Tshwane into a capital city of excellence, we will continue to build on what we have achieved since the establishment of our administration. We will pursue investment opportunities to widen our economic base so as to reinforce enterprise development and provide substantially more employment

opportunities. Focused planning and implementation is required to ensure that our efforts thus far are strengthened in order to sharpen Tshwane's competitive edge as the capital city of South Africa.

It is with great pride that I join the leadership of the City of Tshwane Metropolitan Municipality. We can only improve on the sound administrative foundation and consolidate our efforts to create a more viable and sustainable future for all.

## 1.3 REPORT OF THE AUDIT COMMITTEE

The Audit and Performance Committee is an independent committee of the City of Tshwane Council established in terms section 166(1) of the Local Government Municipal Finance Management Act, the Local Government Municipal Planning and Performance Management Regulations and a Council Resolution. The Committee consists of external professionals who are independent of the political and administrative structures of the Metropolitan Municipality and its entities.

During the 2010/2011 financial year, the members of the Audit and Performance Committee were as follows:

| Audit and Performance Committee. Term of Office 01/01/2008 – 20/06/2011* |   |
|--|---|
| Rangongo, M.G. (Chairperson)   | Magasa, M.                                  |
| Buthelezi, K.  | Makinta, S.M. (appointed as from May, 2009) |
| Buthelezi, M.H.  | Pillay, V.                                  |
| Chwene, P.V.   | Rapoo, K. (resigned as from October, 2010)  |
| Geldenhuys, A.L.   | Tshimomola, R.                              |

\*The Committee held 7 meetings during the 2010/11 financial year. Its members were remunerated in accordance with Auditor-General South Africa approved rates.

The current Committee was appointed by Council at a meeting held on 27 October 2011 and convened for the first time on 30 November 2011. Although the Committee had therefore not been constituted during the financial year under review, it is the Committee tasked with considering the reports of the Auditor-General South Africa and reviewing the financial statements and performance results of the City of Tshwane and its Entities for 2010/11. Meetings were held for this purpose on 30 November 2011, 14 December 2011 and 10 January 2012. The members of the Committee are:

| Audit and Performance Committee. Term of office 27/10/2011 - 01/11/2016* |                 |
|--|-----------------|
| Melck, A.P. (Chairperson)  | Mzizi, P.       |
| Fourie, P.S.   | Noxaka, P.      |
| Gounden, S.  | Rangongo, M. G. |
| Magongwa, B.N.   | Sebeelo, M.K.   |
| Makinta, S.M.  | Sebesho, L.     |
| Mnisi, P.R.  | Vilakazi, S.    |

\*The members of the Committee are remunerated in accordance with Auditor-General South Africa approved rates.

All members of the Committee are competent to evaluate and interrogate the various reports submitted to it. The external and internal auditors had unrestricted access to the Committee, which ensured that their independence could not be compromised. They were also invited to all meetings of the Committee.

### Charter of the Audit and Performance Committee

The mandate of the Audit and Performance Committee is to perform oversight over the administration of the Metropolitan Municipality and its entities and their performance. A separate risk committee has been constituted by Council.

Besides the legislation mentioned above, the Committee functions in terms of a Charter approved by Council. The Charter of the Audit and Performance Committee was revised by the Committee on 14 December 2011 for consideration by Council.

#### **Effectiveness of internal financial and information technology controls, risk management and compliance with legislation and regulations**

The Committee held thorough discussions with the Auditor-General South Africa and senior members of management on the audit reports on the Metropolitan Municipality and the municipalities incorporated into the City of Tshwane on 01 July 2011 and also those of the municipal entities. Areas of deficiency in internal controls, differences in the interpretation of legislative requirements and risks identified by the Auditor-General South Africa were analysed. These fall into the following main categories:

##### **Significant uncertainties**

- No provision for potential liabilities from litigation
- 2010 financial statement errors
- Water loss
- Electricity loss

##### **Performance information**

- Municipality could not comply with all National Treasury guidelines
- Some targets not adequately defined
- Actual performance of all indicators not provided on the annual performance report of HCT

##### **Budgets**

- Overspending of budgets
- Section 71 reports not serving before council for the year under review

##### **Internal Audit**

- No risk based internal audit plan for HCT and Sandspruit.
- Implementation plan for the risk audit plan for CoT was not communicated to the Audit and Performance Committee.
- Internal Audit did not advise the Accounting Officer and report to the Audit and Performance Committee on some matters relating to Internal Audit, Internal Controls, Accounting Procedures and Practices, risk and risk management and loss control.

##### **Supply chain management**

- Vetting of all suppliers not conducted
- No declaration by some service providers

##### **Expenditure management**

- Non-compliance with sec 65(2)(e) of MFMA

##### **Internal control**

- Lack of leadership
- Late reporting
- Non-compliance with applicable laws and regulations
- Investigations not finalised.

The acting Chief Audit Executive indicated that, during the reporting period, no additional matters of serious concern had been raised by Internal Audit and that no material breakdowns in key internal financial controls had been brought to the attention of the previous Audit and Performance Committee. Therefore, based on the information and explanations given by management, the internal auditors and the discussions with the Auditor-General South Africa, the Audit and Performance Committee is of the opinion that the internal accounting controls functioned adequately in the reporting period, although

they need strengthening and improvement in certain respects. Furthermore, the Audit and Performance Committee can confirm that it is satisfied that the issues raised by the Auditor-General South Africa are receiving the necessary attention from management.

#### **Annual financial statements**

The Committee was pleased to learn that the Auditor-General South Africa has issued an unqualified audit opinion on the consolidated financial statements of the City of Tshwane and its entities for the 2010/11 reporting period. This attests to the diligence of the responsible municipal officials, for which they were commended by the Committee. Nevertheless, the Committee took cognisance of potential improvements in some areas and will monitor the implementation of the steps taken to this end in future.

In particular, as part of the emphasis of matter by the Auditor-General South Africa and as indicated above, attention was focused on a number of significant uncertainties arising from unresolved litigation and the financial losses resulting from unaccounted for water and electricity.

It is also pointed out in the audit report that several legislative requirements were not met adequately. Included in this is the making of awards by the Municipality to providers who are persons in service of the Municipality in contravention of Supply Chain Management regulation 44. Accordingly, management was urged to improve procedures, processes and systems for complying with legislation and regulations. In addition, the Committee expressed its concern that some of the municipalities to be incorporated and municipal entities did not receive satisfactory audit reports, as a result of which the Committee suggested that the adequacy of the internal audit resources devoted to these areas be reviewed to ensure that improvements are effected as speedily as possible.

#### **Performance of the City of Tshwane**

The Committee evaluated the Chief Financial Officer's Report that precedes the Annual Financial Statements. Cognisance was taken of the satisfactory consolidated operating results and the (largely positive) set of accounting ratios which have resulted in the improved credit rating of the Municipality by the firm, Moody's Investment Services. The Committee also expressed its appreciation for the improvements achieved in certain areas, including those highlighted in the audit report, such as the reduction in water and electricity unaccounted for, despite these remaining areas of concern that will require further attention in future. On-going monitoring of the increasing numbers of consumer debtors, largely resulting from the high percentage of indigent citizens, will also be required.

The Committee reviewed the reports of the various departments as contained in the Annual Report in order to form an opinion on the City's performance. The City's efforts to provide services to its population efficiently and to address the many challenges presented by the incorporation of new municipal areas and an increasing population were noted. Several recommendations on the process of consolidating the information and compiling the Report were made in order to improve the City's accountability to its citizens in coming years. Despite deficiencies in some domains that, it is hoped, will be rectified in future, the Committee recommended submission of the Report to Council.

It should be noted that the Committee depends on the senior managers who attend Audit Committee meetings, and the secretariat, for conveying its opinions and recommendations to the appropriate quarters in the Municipality's administration.

### **Internal Audit**

The Committee took cognisance of the fact, as pointed out in the respective audit reports that Internal Audit did not function adequately with respect to some of the municipal entities. In part, this was due to the resignation from 30 June 2011 of the Chief Audit Executive, Ms S. Mbongo, which added to the burden of the remaining members of staff. In addition, many posts on the Internal Audit establishment are not funded, and of those that are funded, some are vacant. The opinion was expressed to management that, in this light and the incorporation of previously independent municipalities into the City of Tshwane, the resourcing of the Department should be reviewed.

The Charter of the Internal Audit Function was revised by the Committee on 14 December 2011 and on 10 January 2012 a revised structure was recommended to Council for consideration.

### **Appreciation**

In conclusion, the Committee would like to express its appreciation to the Accounting Officer and all other role players for the constructive meetings and discussions that the Audit Committee held with them.

**Professor A P Melck**

**Chairperson: Audit and Performance Committee**



Figure 1: Sunday Tribune Garden and Leisure Show – PMB AEM won the silver award for 2010/11.

# CHAPTER 2:

## **2 PERFORMANCE HIGHLIGHTS**

As a municipality, the City of Tshwane has shown its excellence in diverse areas, from hosting the 2010 FIFA World Cup with no incidents, to providing fully serviced homes, attracting investors and maximising growth through its Spatial Development Framework.

### **2.1 SERVICE DELIVERY ACHIEVEMENTS**

Service delivery is outlined below per department or division directly involved in this function.

#### **2.1.1 SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT**

The City of Tshwane is intent on serving all citizens by providing affordable and quality services at basic or higher levels. This is achieved by eradicating service backlogs, prioritising community needs and making funds available, whether from our own resources or from grants. Specific focus is given to the formalisation of all informal settlements by 2014, the provision of basic water and sanitation, electrification and the construction and upgrading of roads.

#### **2.1.2 HOUSING AND SUSTAINABLE HUMAN SETTLEMENT**

The City was awarded Level 1 and 2 accreditation on 4 March 2011. This achievement will ensure that we take control of all matters related to beneficiary administration and housing allocation. The City will also manage various housing programmes.

Altogether 5 028 families were relocated to RDP houses and permanent serviced stands in the reporting year. As for the five-year term, 15 819 top structures were provided, and 10 271 families were relocated to RDP houses and 37 710 to permanent serviced stands.

#### **The impact of the relocation of beneficiaries to serviced stands**

Families who were relocated to houses and permanent serviced stands felt that they were finally "real" citizens of the country and that the City of Tshwane had changed their lifestyle and the future of their children. They also experienced a sense of belonging. In total, 3 246 title deeds were issued to home owners and 2 851 title deeds were registered in the name of new home owners.

The table below depicts the number of title deeds that were registered, received and issued to home owners in the five-year term.

| Period                 | Title deeds registered | Title deeds received | Title deeds issued |
|------------------------|------------------------|----------------------|--------------------|
| July 2006 to June 2007 | 5 146                  | 5 318                | 4 702              |
| July 2007 to June 2008 | 4 155                  | 2 522                | 2 294              |
| July 2008 to June 2009 | 2 900                  | 4 363                | 5 282              |
| July 2009 to June 2010 | 4 374                  | 1 997                | 2 438              |
| July 2010 to June 2011 | 2 851                  | 2 812                | 3 246              |
| <b>FIVE-YEAR TOTAL</b> | <b>19 426</b>          | <b>17 012</b>        | <b>17 962</b>      |

#### **The impact of title deeds registered and handed over to beneficiaries**

Many beneficiaries expressed joy at their sense of ownership and having a place to call "my home" upon receiving a house. They are now able to have their family members with them in one home, and this increases community spirit.

In total, 316 208 people in informal settlements were provided with water through water tankers, jojo tanks and communal stand pipes. This confirms the City's determination to ensure that residents have access to basic services.

#### **2.1.3 WATER AND SANITATION**

##### **Provision of basic or higher levels of water infrastructure to address the backlog**

As part of the five-year plan, 23 578 water connections were planned. The 25 761 connections that were installed eventually exceeded the five-year target.

Economic growth in Tshwane led to migration, which increased the demand for new residential developments and businesses premises. To accommodate this, the length of bulk water pipelines to be installed had to be increased beyond the planned length. This led to the installation of 134 032 m bulk water pipelines, which was an overachievement on the plan for the 2010/11 financial year.

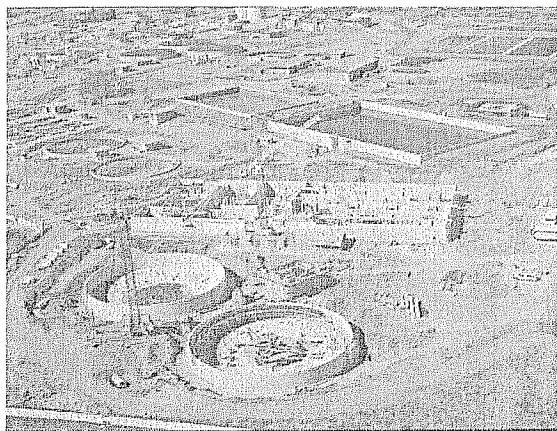
In addressing the water backlog, service delivery was brought to parts of the city where it was greatly needed.

##### **Providing a sustainable water supply to meet the growing demand**

The water samples tested in the year under review had no E Coli/cfu per 100 mL, thereby continuing the City's Blue Drop status since 2008. This placed Tshwane on the highest international ranking for potable water.

A total of 87 101 tests for SANS241 requirements were completed and we achieved over 99% compliance.

An average of 798 Mℓ/day potable water was supplied to consumers in Tshwane, and 44 Mℓ/day was exported to Johannesburg, Madibeng, Nokeng and Moretele, giving further testimony to the excellent quality of Tshwane's potable water.



#### **Reduction of unaccounted for water**

The Water and Sanitation Division implemented several water conservation and demand management initiatives over the past three years, one of which was to implement the IMQS Management Information System (MIS).

The innovative use of the MIS led to the stabilisation and, in some cases, reduction of unaccounted for water in Tshwane. Whereas unaccounted for water remained at between 29% and 27% in the past four years, it decreased to 23,7% in the 2010/11 financial year.

Since the water reticulation system is continuously expanding, the opportunity for water loss increases. Yet the Water and Sanitation Division's implementation of several water conservation and water demand management initiatives contained unaccounted for water, which in turn greatly reduced revenue loss, and helped conserve the environment.



## Upgrading of infrastructure

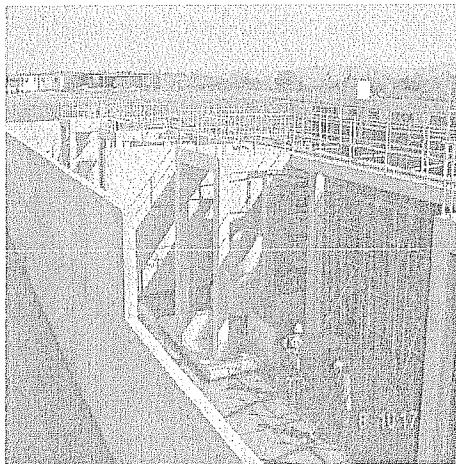
During the 2010/11 financial year, R1 219 million of the capital budget was spent on upgrading and replacing water and sanitation infrastructure. Another R1 184 million was spent on maintaining water and sanitation operations.

According to the Water and Sanitation 2010/11 SDBIP and the divisional five-year plan, the Water and Sanitation Division achieved the following in terms of maintenance:

Length of bulk and internal water network pipelines: The 2010/11 target was exceeded; 85 km was planned and budgeted for, but 101 km had been upgraded and replaced by the end of June 2011.

Over the five-year period, 791 km of pipes had to be maintained to support the growing demand. By the end of June 2011, a total of 813 km of water pipes had been upgraded and replaced in Tshwane.

Length of bulk and internal sanitation network pipelines: According to the project programmes, 28 km of pipelines was planned, but 33 km was upgraded and replaced. From 2006 to 2011, 140 km was upgraded and replaced.



Sunderland Ridge Waste Water Treatment Works (average inflow of 71,3 Mℓ/day)



Babelegi Waste Water Treatment Works (average inflow of 1,9 Ml/day)

#### 2.1.4 ELECTRICITY

Access to basic or higher levels of electricity was provided to 80% of Tshwane's households over the past five years, translating into 58 435 houses that were electrified to address the backlog.

Altogether 1 531 of the houses were completed and occupied houses that were electrified to cater for growth, thereby exceeding the annual target of 620 as well as the five-year target. This outcome indicates the high rate of growth in Tshwane.

All new business/commerce and industrial connections that were applied for were done (173 business connection applications were received and completed). The implications of this achievement cannot be overestimated. For instance, Nestlé invested a multimillion rand in Babelegi during the five-year term, which points to increased investor confidence and a capital injection into Tshwane.

Across Tshwane, 1 797 new street lights were provided during the reporting year, although the target was only 1 000. The total for the five-year period was 8 323. This shows that Tshwane is on its way to being well lit, which helps improve the safety of residents.



## 2.1.5 AGRICULTURE AND ENVIRONMENTAL MANAGEMENT

**Plastic bags provided in informal areas to complement other waste initiatives:** A total of 1 761 718 plastic bags were provided.

**Burials/cremations conducted by the City of Tshwane:** 186 indigent burials and 16 indigent cremations were carried out, as well as 339 pauper burials and 26 pauper cremations.

**People benefiting from the distribution of starter packs (agricultural tools, seeds etc for starting a sustainable food garden):** 3 795 starter packs were distributed to schools, homesteads and community gardens. Thus sustainable communities were being created, as food security increased slowly but surely.

**Food bank:** This facility was established in 2010 to provide immediate hunger relief for individuals and families who were unable to afford food and were dependent on inadequate social grants and social relief programmes.

**Loan scheme for informal traders:** This scheme is the first of its kind in the country, and is based on an agreement between the City of Tshwane and the private sector to provide financing for informal traders.

## 2.1.6 ROADS AND TRANSPORT

### Indigent Policy

Ten aspirant drivers were taken from the indigent register and placed in permanent jobs.

#### 2.1.6.1 WONDERBOOM AIRPORT

Although it is not an international airport, Wonderboom Airport (WBA) is still the second busiest in South Africa (more than 20 aircraft movements per operational hour).

In October and November 2010, two awards were allocated to the WBA, namely the Silver Arrow Award by PMR and a Bronze Award by *Beeld*. These awards were based on the WBA's contribution to local economic development.



## **2.2 FACILITATING HIGHER AND SHARED ECONOMIC GROWTH AND DEVELOPMENT THROUGH SUSTAINABLE JOB CREATION**

The aim of the City with this objective is to increase the level of economic activity in its regions and thereby create sustainable growth and job opportunities, resulting in a more prosperous community. Emphasis is placed on self-sustaining programmes that alleviate poverty and capacitate the unemployed sector. In this way the City tries to bring the first and second economies together in an inclusive economy.

**The Economic Development Department contributed directly to meeting this objective.**

### **2.2.1 ECONOMIC DEVELOPMENT**

**Tourism and the 2010 FIFA World Cup:** 680 volunteers were trained in tourism-related areas such as language support to foreigners.

**SMMEs and informal traders:** Informal traders and SMMEs were allocated exhibition stands to showcase, network and sell their products. Altogether 5 814 SMMEs benefited from the support programme.

**Cooperative development programme:** Various government and private sector stakeholders contributed to the success of this programme by building skills and providing tools. The purpose was to have entrepreneurs that could trade nationally and internationally. The programme benefited 4 048 individuals and 1 190 entities.

**Industrial planning and development programme:** The programme brought technical skills to and developed enterprises among the unemployed and SMMEs. A total of 883 learners were trained in self-employment.

**Value of business investments facilitated.** Investment in Tshwane to the value of R8 109 563 060 was facilitated by the Economic Development Department. This translated into more jobs and the development of communities.

**Formal jobs created in Tshwane.** The City of Tshwane exceeded the five-year target of creating 211 707 formal jobs by creating 221 848. This achievement is important, as employment leads to meaningful and sustainable livelihoods in Tshwane.

**Children, the youth, women, the elderly and people with disabilities.** The City exceeded its five-year targets for assisting these groups. As a caring institution, the City went beyond the call of duty to ensure that its vulnerable citizens were not left wanting.

## **2.3 FIGHTING POVERTY AND BUILDING CLEAN, HEALTHY, SAFE AND SUSTAINABLE COMMUNITIES**

Community empowerment initiatives that provide a holistic approach to achieving this objective ensured that human dignity was restored and that community value systems were firmly entrenched. Issues such as indigent people, combating HIV/AIDS and TB, and sustainable skills development were but a few examples of the creation of sustainable communities by the City.

The focal point of this objective was the development of programmes to capacitate vulnerable groups with skills that will prepare them for job opportunities in programmes such as the Expanded Public Works Programme.

**The contributions of departments directly involved in meeting this objective are given below.**

### **2.3.1 HEALTH AND SOCIAL DEVELOPMENT SOCIAL PACKAGES**

**Indigent Programme.** The programme focuses on the registration of indigent households who qualify in terms of set criteria, on the monitoring and evaluation of these households, and on exiting them once their status has improved. All departments in the City play a vital role in providing skills and employment through capital projects to help these households to exit the programme.

Altogether 88 657 indigent households benefited from the social package in the reporting year.

**Early Child Development Outreach Programme.** The City takes care of 35 early childhood development centres by providing them with R100 000 each from a grant-in-aid to cover the following:

- Nutrition/groceries
- Food gardens
- Foam and mattresses
- Educational toys and equipment
- Training of ECD practitioners

In total, 25 529 children benefited.

## TUBERCULOSIS PROGRAMME

Due to vigorous interventions by the Health Services Division, the TB cure rate reached 80,7%. The number of cases per 100 000 dropped to 409, which was below the national norm of 500.

## IMMUNISATION COVERAGE

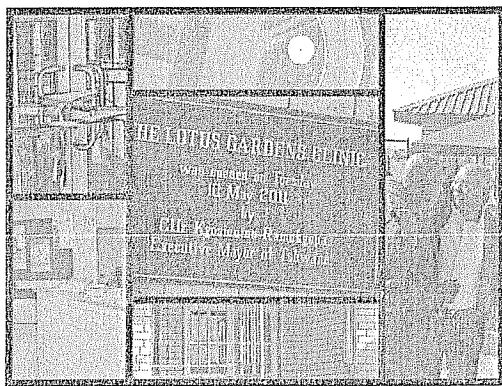
Due to special expanded immunisation campaigns, all communicable diseases were prevented to a great extent in the year under review, as vaccines were available in clinics at all times.

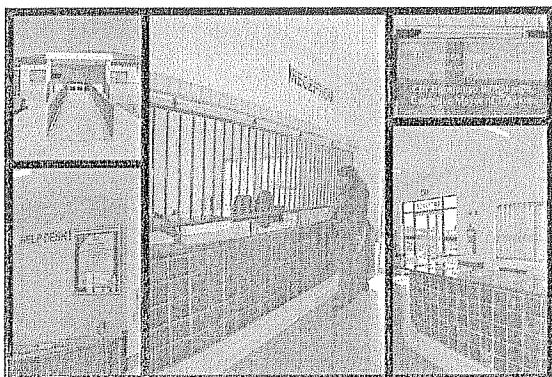
## HIV/AIDS

In the drive to prevent mother-to-child transmission of HIV, the City, in partnership with the Elizabeth Glaser Paediatric AIDS Foundation, achieved a 95,6% testing rate for pregnant women.

## AWARENESS AND HEALTH PROMOTION

As part of community outreach programmes, health and awareness campaigns were conducted. These focused mainly on HIV/AIDS, healthy lifestyles, TB awareness, breast and cervical cancer, teenage pregnancy, drug abuse, tobacco use and winter illnesses.





### **2.3.2 COMMUNITY SAFETY**

Owing to the increased number of police officers, all major events, such as the 2010 FIFA World Cup and 2011 mayoral inauguration proceeded without incident, which shows that national, provincial and local police services are aligned.

#### **Ward-based Strategy**

The strategy contributed immensely to social cohesion between the community and the Metro Police, as increased police visibility raised community confidence.

#### **By-law Enforcement**

Proactive policing on compliance with by-laws led to the successful closure of illegal outlets.

Joint interventions with SARS were conducted, focusing on the eradication of the importation of illegal fireworks into South Africa and their distribution in the country.

Police visibility was increased by 663 operations held jointly with various law enforcement units.

Municipal court services were extended to Mamelodi and Ga-Rankuwa, as well as Soshanguve. Accommodation for these courts was also secured at Atteridgeville and Temba.



### Batho Pele initiatives

The Community Safety Department was commended for its best practice in providing access to its offices for customers with disability.

Inputs from the community resulted in by-law and crime prevention education and awareness campaigns in various regions.

Monthly stakeholder meetings were held, during which information was shared and proposals were made for future interventions by the Department.

The Mamelodi Thusong Service Centre was established. As a multipurpose community centre or one-stop centre, it provides integrated services and information from government to the residents who live in the area. The City of Tshwane is proud of its active contribution to the success of this project.

Table 1: AWARDS WON BY THE CITY DURING THE FIVE-YEAR TERM

| # | Year received | Department                               | Award  | Details of award   |
|---|---------------|--|--|--|
| 1 | 2006/07       | Agriculture and Environmental Management | Impumelelo Star Award  | Winterveldt Citrus Project is a successful flagship of the City of Tshwane. The project was established in July 2002 and planted just over 43 000 citrus trees. Over the past four years, the project created an estimated 455 jobs and empowered about 2 275 family members in the Winterveld area. |
| 3 | October 2007  | Agriculture and Environmental Management | A Silver Award was won at the annual Sunday Tribune Garden and Leisure Show. | The Department was invited by the Royal Agricultural Society of Natal to participate in the Sunday Tribune Garden and Leisure Show every year. During 2007 the show was held from 25 September to 7 October in Pietermaritzburg. The Department entered the Keynote Garden category                  |

| # | Year received                | Department                               | Award  | Details of award   |
|---|------------------------------|--|--|--|
|   |                              |  |  | and competed against five other municipalities. The show was also a valuable marketing opportunity for the City of Tshwane, as brochures marketing the Department and the City were handed out.  |
| 4 | August/<br>September<br>2008 | Agriculture and Environmental Management | A Gold Medal was awarded to the Nature Conservation and Resorts Section during the Tshwabac Pretoria Show. | The Nature Conservation and Resorts Section participated in the Tshwabac Pretoria Show and was awarded a Gold Medal for the display and layout of its stand. This was also a marketing opportunity for the City and the Department, as brochures were handed out.  |
| 5 | 2008                         | Financial Services                       | Vuna Award   | The awards was allocated for the financial sustainability of the City of Tshwane.  |
| 6 | 2007/08                      | Agriculture and Environmental Management | Bontle ke Botho  | Best Performing Metro (R200 000) at the provincial Bontle ke Botho   |
| 7 | 2007/08                      | Health and Social Development            | 1st Gauteng Golden Circle Award  | Best Municipality in Youth Development   |
| 8 | September<br>2008            | Public Works (Water and Sanitation)      | Blue Drop status   | Cities and towns were evaluated on their drinking water system from catchment to consumer. To qualify for Blue Drop status, municipalities were required to comply with at least 95% of the weighted assessment criteria.  |
| 9 | 2008                         | Health and Social Development            | The City of Tshwane was awarded a trophy in 2008 for its 3rd position in Gauteng for curing TB.            | The aim was to improve the quality of patient care and award clinics that did well in the following:<br><ul style="list-style-type: none"> <li>-Patient satisfaction</li> <li>-Record keeping</li> <li>-Emergency preparedness</li> <li>-Cleanliness</li> <li>-Toilets and bathrooms</li> <li>-Waste management</li> <li>-Hand washing</li> </ul> <p>The event was held on 29 January 2010 at Weskoppies Hospital. All the district health facilities were assessed, including those managed by the Gauteng government.</p> <p>The City of Tshwane clinics won in the following categories:</p> <ul style="list-style-type: none"> <li>-Clinics with a headcount greater than 5 000 a month</li> <li>-Clinics with a headcount greater than 2 000 but less than 5 000 a month</li> <li>-Clinics with a headcount of less than 2 000 a month</li> <li>-Overall winners (this category included all hospitals, special institutions</li> </ul> |

| #  | Year received                    | Department                               | Award   | Details of award   |
|----|----------------------------------|--|---|--|
|    |                                  |  |   | and provincial clinics in Tshwane); City of Tshwane clinics.   |
| 10 | 2008                             | Corporate and Shared Services            | Best Metropolitan Municipality Skills Development Facilitator (a local government SETA award) | Local Government Sector Education and Training Authority (LGSETA) Gauteng: Best Learning Site of the Year, based on the Municipality's training facility at the TLMA, which serves to capacitate employees with skills through internships, learnerships, apprenticeships and artisanships.  |
| 11 | October 2007 and 2008            | Roads and Transport (Wonderboom Airport) | PMR Silver Arrow Award for the Tshwane airport contributing the most to economic development  | The award was issued by PMR based on a survey of companies/institutions contributing to local economic development.  |
| 12 | April 2008 (Ljubljana, Slovenia) | Roads and Transport                      | 1st prize in the International Road Federation's (IRF's) 2007 Road Safety Awards              | For a project called "Development and Implementation of Road Safety Master Plans – an Inclusive Approach"  |
| 13 | August 2009 (Gauteng)            | Roads and Transport                      | 1st prize for community-based projects that use ultrathin reinforced concrete                 | During the 2009/10 financial year the City together with the Provincial Department of Roads and Transport emerged as winner in the category Community-based Projects for 2009/10. This demonstration project included a bus route in Soshanguve Block M Ext/Block L, and local streets in Mamelodi and Atteridgeville, which were all constructed labour intensively, using an innovative ultrathin reinforced concrete. Eleven learner contractors and 16 contract supervisors were trained on the project, and 1 751 local people were employed (110 800 person days), of which 31% were women and 40% youths. |
| 14 | December 2009 (London)           | Roads and Transport                      | Prince Michael International Road Safety Award  | For innovation and achievement in improving road safety based on a guideline document for the development of road safety master plans  |
| 15 | 2009 (Port Elizabeth)            | Public Works (Water and Sanitation)      | Water treatment works award for Rietvlei  | Most Presentable Medium-sized Water Treatment Work for 2009 at the Drinking Water Conference held in Port Elizabeth  |

| #  | Year received            | Department                               | Award   | Details of award  |
|----|--------------------------|--|---|---|
| 16 | 2009                     | Agriculture and Environmental Management | CTC Award   | Runner-up for Cleanest City Award   |
| 17 | 2009                     | Agriculture and Environmental Management | Golden Award of the Minister of Water Affairs and Forestry for displaying the City's gardening skills and expertise | The Department participated in the Garden World Spring Festival that was held at the Garden World Nursery in Muldersdrift during August 2007. The award was won for the show garden display.  |
| 18 | 2008/09                  | City Planning                            | STATSSA's recognition of the City as the metro with the most building plans approved                                | The City of Tshwane recorded the highest value in building plans passed for 2008 in Gauteng (39,6% of the total of R32 828 6 million), followed by the City of Ekurhuleni (30,0%) and the City of Johannesburg (16,8%).   |
| 19 | 2009                     | Public Works (Water and Sanitation)      | 1st prize in the DWAF Water Conservation and Water Demand Management Sector Awards                                  | <p>Award for Water Demand and Conservation Management with the following objectives:</p> <p>Quantifying the existing water loss and comparing it with acceptable benchmarks</p> <p>Listing all the main water loss and water demand management aspects and rating the performance of the City of Tshwane on every aspect</p> <p>Providing recommendations with cost estimates on how the City of Tshwane can improve on every water loss and water demand management aspect</p> <p>Prioritising the various WDM activities in order to optimise results</p> |
| 20 | September 2010 (Gauteng) | Public Works (Water and Sanitation)      | Green Drop  | The Waste Water Treatment Section obtained Green Drop status for Zeekoegat and Daspoort Waste Water Treatment Works. The final evaluation report of the Department of Environment and Water Affairs was to be scrutinised to rectify the minor shortcomings at the other works.   |



Figure 2: Tourism Indaba 2011

# Chapter 3

### **3. ORGANISATIONAL DEVELOPMENT**

#### **3.1 Human Development Implementation Strategy**

Human capital has come to be seen as the primary investment of any company. Hence the City aims at all times to maintain its investment in its people. It recognises the economic, social and political factors that create the external context in which the City of Tshwane operates. Factors with significant implications for effective human resource management relate to the changing composition of the workforce, in terms of age, gender, ethnic distribution as well as the barriers encountered by women and people with disabilities. The City operates within a complex legal framework that directly influences day-to-day human resource management functions.

The scarcity of skills together with the global competition for talent has necessitated a review of our acquisition, development, optimisation, engagement and retention strategies.

In the past, one of Strategic Human Resource's primary roles was to ensure compliance with laws, rules and regulations. Although this is still, and will always be, a necessary function, many recent developments led to a strong emphasis on results.

The new vision for local government requires the reinvention of local government to make it work better, cost less and obtain results. To achieve this requires to move beyond mere compliance towards results, including right-sizing the human resource function, delegating certain human resource authorities to line management, calling on the Human Resources Management Division to demonstrate its business value, and enhancing customer service.

#### **3.2 Municipal Workforce**

The City of Tshwane workforce is quite diverse regarding culture, race and occupational specialisation. As the administrator of the capital city of South Africa, the City of Tshwane is constantly implementing progressive measures to ensure that we lead by example.

In the past five years the City embarked on the following:

The performance management system was refined and implemented.

More than 5 000 labour broker employees were absorbed in the system and offered permanent positions.

Tshwane Shared Services was established to ensure accessibility of services to all employees.

The implementation of an electronic system assisted in ensuring that all requests for services were attended promptly, and recruitment and deployment of services were conducted more efficiently.

### 3.2.1 Number of employees

The table below reflects the number of City of Tshwane employees per department.

| Department                          | Type of employee   | Number of positions on the organisation structure | Total number of positions filled (as on 1 July 2010) | Total number of positions filled (as on 30 June 2011) |
|-------------------------------------|--|---|--|---|
| Office of the EM/CM                 | Permanent employees and Non-permanent employees (direct contracts, hourly paid and learnerships) | 989   | 286  | 518   |
| Corporate and Shared Services       | Permanent employees and Non-permanent employees (direct contracts, hourly paid and learnerships) | 2 510   | 1 405  | 1 386   |
| Financial Services                  | Permanent employees and Non-permanent employees (direct contracts, hourly paid and learnerships) | 1 398   | 940  | 930   |
| Transport and Roads                 | Permanent employees and Non-permanent employees (direct contracts, hourly paid and learnerships) | 3 349   | 2 161  | 2 118   |
| Community Safety                    | Permanent employees and Non-permanent employees (direct contracts, hourly paid and learnerships) | 4 280   | 3 301  | 3 405   |
| Health and Social Development       | Permanent employees and Non-permanent employees (direct contracts, hourly paid and learnerships) | 1 162   | 1 088  | 1 014   |
| Sport, Recreation, Arts and Culture | Permanent employees and Non-permanent employees (direct contracts, hourly paid and learnerships) | 776   | 375  | 388   |

| Department   | Type of employee   | Number of positions on the organisation structure | Total number of positions filled (as on 1 July 2010) | Total number of positions filled (as on 30 June 2011) |
|--|--|---|--|---|
| Housing and Sustainable Human Settlement Development | Permanent employees and Non-permanent employees (direct contracts, hourly paid and learnerships) | 508   | 287  | 274   |
| Public Works and Infrastructure Development          | Permanent employees and Non-permanent employees (direct contracts, hourly paid and learnerships) | 5 677   | 2 989  | 3 749   |
| City Planning  | Permanent employees and Non-permanent employees (direct contracts, hourly paid and learnerships) | 737   | 414  | 368   |
| Emergency Services                                   | Permanent employees and Non-permanent employees (direct contracts, hourly paid and learnerships) | 1264  | 745  | 797   |
| Economic Development                                 | Permanent employees and Non-permanent employees (direct contracts, hourly paid and learnerships) | 116   | 77   | 71  |
| <b>Total</b>   |  | <b>22 766</b>                                     | <b>14 068</b>  | <b>15 018</b>   |

**3.2.2 Información costos empleo de los municipales**

| Code | Description              | 2005/06 |               | 2006/07 |               | 2007/08 |               | 2008/09 |               | 2009/10 |               | 2010/11 |               |
|------|--------------------------|---------|---------------|---------|---------------|---------|---------------|---------|---------------|---------|---------------|---------|---------------|
|      |                          | Number  | R             |
| 1000 | Top management           | 68      | 41 107 093    | 70      | 40 397 549    | 86      | 40 474 337    | 246     | 102 870 774   | 83      | 55 037 046    | 69      | 57 520 485    |
| 2000 | Senior management        | 217     | 109 339 076   | 205     | 103 146 358   | 192     | 101 470 876   | 205     | 110 104 673   | 197     | 125 494 515   | 192     | 138 845 159   |
| 3000 | Professionally qualified | 938     | 337 376 909   | 962     | 369 254 101   | 976     | 395 848 677   | 1 032   | 442 734 573   | 1 011   | 493 592 147   | 1 024   | 587 243 235   |
| 4000 | Skilled technical        | 4 069   | 702 904 170   | 4 174   | 776 086 128   | 4 144   | 840 970 368   | 4 388   | 938 530 337   | 4 311   | 1 063 876 640 | 4 338   | 1 355 113 794 |
| 5000 | Semi-skilled             | 4 073   | 380 302 799   | 4 221   | 417 007 048   | 4 176   | 454 938 315   | 4 434   | 519 866 004   | 4 883   | 645 759 811   | 4 218   | 770 206 630   |
| 6000 | Unskilled                | 3 581   | 230 583 668   | 3 500   | 243 185 455   | 3 368   | 258 131 700   | 3 419   | 282 917 534   | 3 206   | 304 265 414   | 2 957   | 386 227 236   |
|      | Total permanent          | 12 946  | 1 801 613 714 | 13 132  | 1 949 076 639 | 12 942  | 2 091 834 272 | 13 724  | 2 396 823 896 | 13 691  | 2 688 025 573 | 12 798  | 3 295 206 540 |
| 9999 | Non-permanent            | 679     | 26 201 796    | 869     | 33 372 691    | 1 144   | 67 540 210    | 4 532   | 143 185 249   | 4 278   | 170 988 172   | 5 693   | 534 876 329   |
|      | Grand total              | 13 625  | 1 827 815 511 | 14 001  | 1 982 449 330 | 14 086  | 2 159 374 481 | 18 256  | 2 545 009 144 | 17 969  | 2 859 013 745 | 18 491  | 3 830 082 869 |

From the 2005/06 until the 2010/11 financial year, the staff complement increased by 35,7% and remuneration costs by 100%. The single biggest reason for this increase was the employment of non-permanent staff, whose numbers and remuneration increased with 738% and 1 041% respectively. (Note: Most of the non-permanent staff will become permanent during the 2011/12 financial year.) The number of officials in all occupational levels, except "Senior management" and "Unskilled", increased. (Note: The number of "unskilled" officials will increase dramatically during the 2011/12 financial year with the phasing out of most non-permanent staff and appointing them as permanent staff.)

### 3.3 Managing the Municipal Workforce

Table 2: Occupational health and safety incidents

| Type of incident     | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | % Increase/decrease |
|----------------------|---------|---------|---------|---------|---------|---------------------|
| All incidents        | 848     | 828     | 954     | 860     | 951     | +10%                |
| Section 24 incidents | 40      | 30      | 46      | 53      | 33      | -38%                |

Section 24 incidents are reportable accidents in terms of the Occupational Health and Safety Act, and relate to injuries that incapacitate employees to a degree that they are unable to return to their normal work duties within 48 hours.

The Strategic OHS Management Section assisted departments in maintaining reliable and valid records as follows:

An electronic incident-reporting system (SAP EHS) was introduced.

A pro-forma for OHS committee meeting minutes was developed to ensure detailed discussion of all incidents.

Corrective and/or preventive measures were given a prominent place on the OHS committee meeting minutes.

All departments were to appoint a person(s) to take responsibility for the recommended safety measures.

A Section 24 panel was instituted to discuss all Section 24 cases, the first meeting of which was to take place on 29 July 2011.

Tracking the implementation of safety measures aimed at preventing recurrences of incidents was to be facilitated by SAP EHS.

A Hazard Identification and Risk Assessment Policy, procedures and a training course were developed and implemented. Departments were however slow with implementation, which could explain the number of Section 24 incidents.

Case studies resulting from the panel discussions would be placed on the OHS webpage in order to create a shared learning experience for departments.

### 3.3.2 Human resource practices and policies

| POLICIES                                       |                    | POLICIES  |                 |
|--|--------------------|---|-----------------|
| POLICY NAME                                    | TSHWANE            | POLICY NAME   | TSHWANE         |
| Staffing                                       | Existing policy    | Apprenticeship                                      | Existing policy |
| Acting   | Existing policy    | Technical Training                                  | Existing policy |
| Retention                                      | <i>In progress</i> | Bursary   | Existing policy |
| Conditions of Service                          | <i>In progress</i> | Experiential Training                               | Existing policy |
| Placement/Migration                            | <i>In progress</i> | Career Management                                   | Existing policy |
| Exit Interview                                 | Existing policy    | RPL   | Existing policy |
| Redeployment                                   | <i>In progress</i> | Learnership   | Existing policy |
| Secondments                                    | <i>In progress</i> | Asbestos  | Existing policy |
| Cellular/Telephone                             | Existing policy    | Chemical Substance Control                          | Existing policy |
| Sexual Harassment                              | Existing policy    | Contact with Body Fluid<br>HIV/Hepatitis B          | Existing policy |
| Employment Equity                              | Existing policy    | Exit Medical Evaluation                             | Existing policy |
| Strike Management                              | Existing policy    | First Aid   | Existing policy |
| Minimum Service Level                          | Existing policy    | Hazard Identification and Risk Assessment           | Existing policy |
| Grievance                                      | Existing policy    | Hearing Conservation                                | Existing policy |
| Disciplinary Code                              | Existing policy    | Hep B Immunisation                                  | Existing policy |
| Employee Wellness                              | Existing policy    | HIV/AIDS in Workplace                               | Existing policy |
| Performance Management for Top Management      | Existing policy    | Illumination  | Existing policy |
| Performance Management for Permanent Employees | Existing policy    | Initial Health Evaluations                          | Existing policy |
| Managing of Poor Work Performance              | Existing policy    | Injury on Duty                                      | Existing policy |
| Study/Bursary Scheme                           | Existing policy    | Intimidation Criminal Conduct against CoT Employees | Existing policy |
| Travel and Subsistence                         | Existing policy    | Lead  | Existing policy |
| Training/Development                           | Existing policy    | Management of Medical Incapacitated Employees       | Existing policy |
| Talent Management                              | Existing policy    | Medical Surveillance                                | Existing policy |

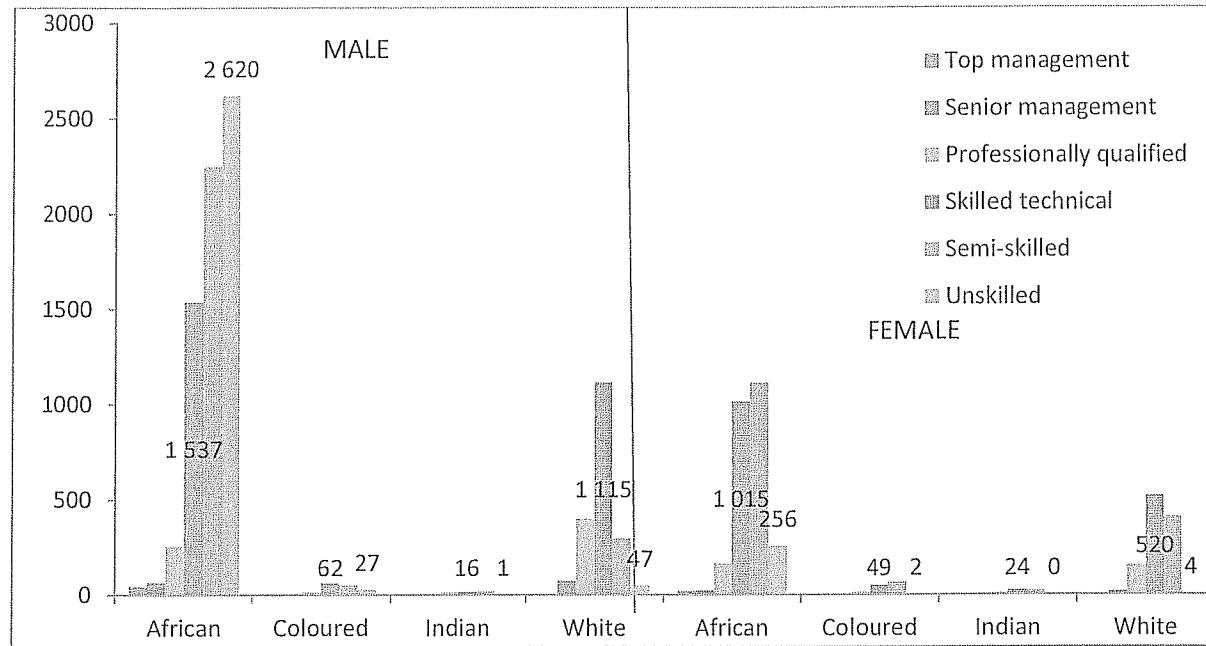
|                                    |                 |                                |                 |
|------------------------------------|-----------------|--------------------------------|-----------------|
| Mentorship                         | Existing policy | Occupational Health and Safety | Existing policy |
| Travel-related Illness             | Existing policy | Pregnant Employees             | Existing policy |
| Reporting of Occupational Diseases | Existing policy | Prevention of TB in HCW        | Existing policy |
| Language Policy                    | Existing policy | Smoking in CoT Building        | Existing policy |
| Delegation of Powers/Authority     | Existing policy | Thermal Stress                 | Existing policy |
| Substance and Travel               | Existing policy | Uniforms and PPE               | Existing policy |
| Ventilation                        | Existing policy |                                |                 |

### 3.3.3 Employment equity

In terms of the Employment Equity Regulations as amended by the Department of Labour, the term "occupational category" has been replaced by the term "occupational level".

| Code | Description              | Male    |          |        |       | Female  |          |        |       | Total  |
|------|--------------------------|---------|----------|--------|-------|---------|----------|--------|-------|--------|
|      |                          | African | Coloured | Indian | White | African | Coloured | Indian | White |        |
| 1000 | Top management           | 43      | 2        | 1      | 1     | 20      | -        | 1      | 1     | 69     |
| 2000 | Senior management        | 66      | 3        | 5      | 74    | 24      | -        | 1      | 19    | 192    |
| 3000 | Professionally qualified | 254     | 13       | 14     | 400   | 165     | 14       | 11     | 153   | 1 024  |
| 4000 | Skilled technical        | 1 537   | 62       | 16     | 1 115 | 1 015   | 49       | 24     | 520   | 4 338  |
| 5000 | Semi-skilled             | 2 248   | 49       | 18     | 296   | 1 113   | 66       | 20     | 408   | 4 218  |
| 6000 | Unskilled                | 2 620   | 27       | 1      | 47    | 256     | 2        | -      | 4     | 2 957  |
|      | Total permanent          | 6 768   | 156      | 55     | 1 933 | 2 593   | 131      | 57     | 1 105 | 12 798 |
|      | Non-permanent            | 4 209   | 29       | 2      | 128   | 1 218   | 16       | 4      | 87    | 5 693  |
|      | Grand total              | 10 977  | 185      | 57     | 2 061 | 3 811   | 147      | 61     | 1 192 | 18 491 |

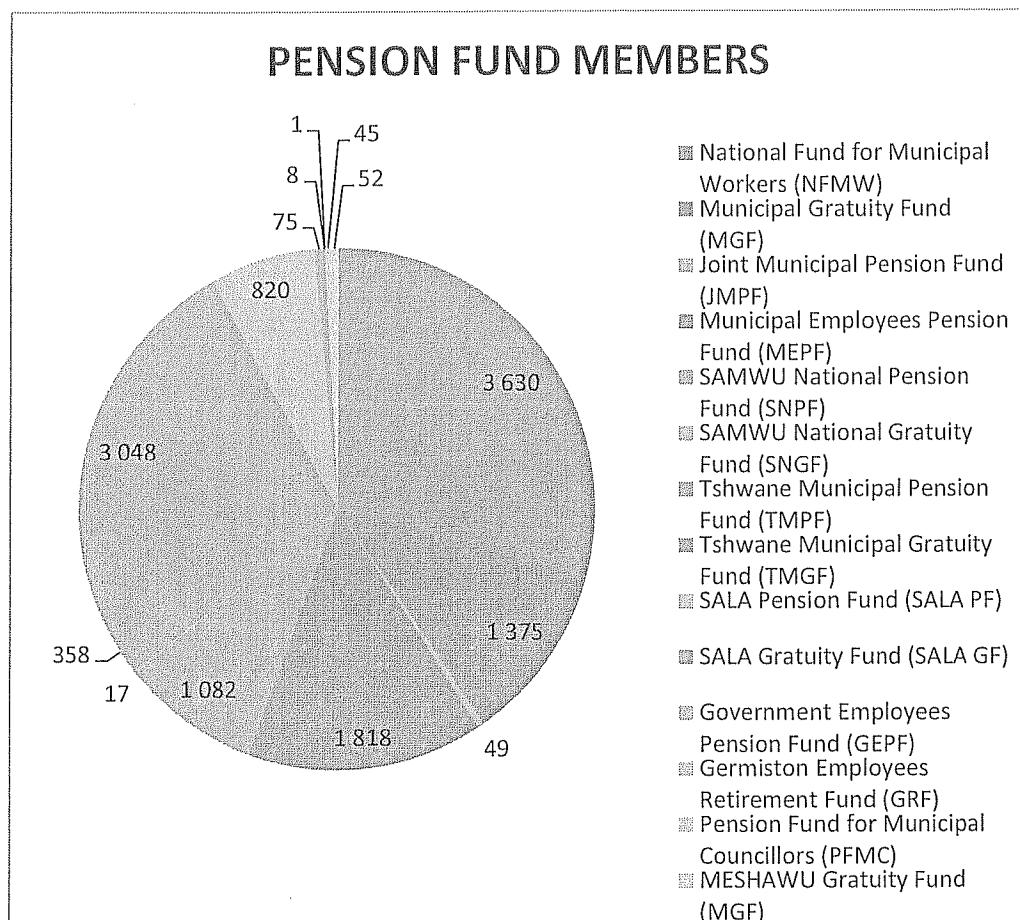
## Employment Equity Figures



### 3.3.4 Pension funds

The National Pension Fund for Municipal Workers remained the fund with the most members.

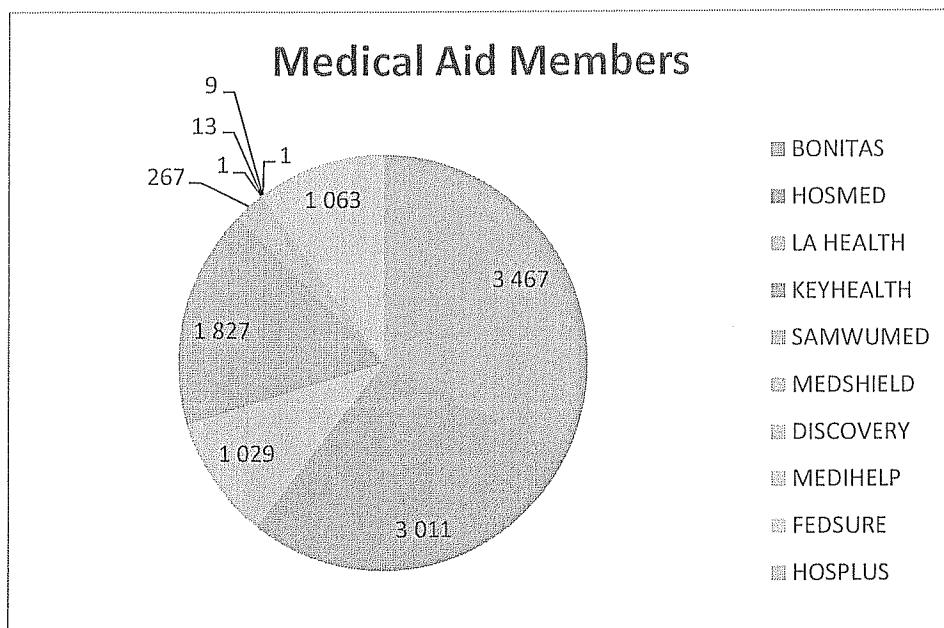
| FUND  | MEMBERS       |
|---|---------------|
| National Fund for Municipal Workers (NFMW)    | 3 630         |
| Municipal Gratuity Fund (MGF)                 | 1 375         |
| Joint Municipal Pension Fund (JMPF)           | 49            |
| Municipal Employees Pension Fund (MEPF)       | 1 818         |
| SAMWU National Pension Fund (SNPF)            | 1 082         |
| SAMWU National Gratuity Fund (SNGF)           | 17            |
| Tshwane Municipal Pension Fund (TMPF)         | 358           |
| Tshwane Municipal Gratuity Fund (TMGF)        | 3 048         |
| SALA Pension Fund (SALA PF)                   | 820           |
| SALA Gratuity Fund (SALA GF)                  | 75            |
| Government Employees Pension Fund (GEPF)      | 8             |
| Germiston Employees Retirement Fund (GRF)     | 1             |
| Pension Fund for Municipal Councillors (PFMC) | 45            |
| MESHAWU Gratuity Fund (MGF)                   | 52            |
| <b>TOTAL</b>                                  | <b>12 379</b> |



### 3.3.5 Medical aid funds

The numbers of members per medical aid fund on 30 June 2010 were as follows:

| FUND      | Members |
|-----------|---------|
| BONITAS   | 3 467   |
| HOSMED    | 3 011   |
| LA HEALTH | 1 029   |
| KEYHEALTH | 1 827   |
| SAMWUMED  | 267     |
| MEDSHIELD | 1       |
| DISCOVERY | 13      |
| MEDIHELP  | 9       |
| FEDSURE   | 1       |
| HOSPLUS   | 1 063   |
| TOTAL     | 10 690  |



### 3.3.6 Skills matrix

More detailed information on the skills matrix is contained in the Workplace Skills Plan and the Annual Training Report as submitted to the LGSETA per its requirements.

#### Skills Development

| 2005/06  | 2006/07   | 2007/08  | 2008/09   | 2009/10   | 2010/11  |
|--|---|--|---|---|--|
| <p>7 238 employees were trained in terms of skills priorities.</p> <p>3 690 people were trained in SAP computer system transactions</p> <p>The overall number of people trained during 2005/06: 10 928</p> | <p>7 554 individuals were trained in terms of skills priorities including OITPS training.</p> | <p>8 078 individuals were trained in terms of skills priorities, excluding OITPS training.</p> | <p>6 588 individuals were trained overall.</p> <p>Target: 5 500</p> | <p>6 959 individuals were trained overall.</p> <p>Target: 6 301</p> | <p>6 564 individuals were trained overall.</p> <p>Target: 6353</p> |

| <u>2005/06</u>  | <u>2006/07</u>  | <u>2007/08</u>  | <u>2008/09</u>  | <u>2009/10</u>   | <u>2010/11</u>  |
|---|---|---|---|--|---|
| Total expenditure on training for various skills priorities:<br>R4 628 063,02 | Total expenditure on training for various skills priorities:<br>R6 615 081,19 | Total expenditure on training for various skills priorities:<br>R5 036 788,17 | Total expenditure on training for various skills priorities:<br>R4 699 869,52 | Total expenditure on training for various skills priorities:<br>R5 962 976 | Total expenditure on training for various skills priorities 2010/11<br>R 8 014 120,57<br><br>Learnerships and apprenticeships: R 990 963.04 |

Skills development budget 2011/12: R 10 000 000

Skills levies paid: R29 155 152.46

Bursaries spent: R 5 978 313.36

### 3.4 Managing workforce expenditure

#### 2010/11 approved budget

| Employee-related cost<br>(primary cost)          | Total expenditure (primary cost)   | % Employee-related cost |
|--|------------------------------------|-------------------------|
| R3 534 783 717                                   | R13 422 834 660                    | 26,33%                  |
|  |                                    |                         |
| Employee-related cost<br>(distribution accounts) | Total expenditure (secondary cost) | % Employee-related cost |
| R563 914 329                                     | R14 063 273 262                    | 4,01%                   |
|  |                                    |                         |
| 2009/10 budget<br>adjustment                     |                                    |                         |
| Employee-related cost<br>(primary accounts)      | Total expenditure (primary cost)   | % Employee-related cost |
| R3 582 635 499                                   | R12 778 753 764                    | 28,03%                  |
|  |                                    |                         |
| Employee-related cost<br>(distribution accounts) | Total expenditure (secondary cost) | % Employee-related cost |
| R573 714 329                                     | R13 419 192 366                    | 4,28%                   |

### 3.4.1 Disclosures

Disclosures relate to remuneration packages of Section 57 employees, disclosures concerning councillors, directors and senior officials for the period 1 July 2010 to 30 June 2011 and outstanding amounts owed to the City of Tshwane by employees.

The following table reflects the remuneration packages of Section 57 employees:

| SURNAME     |     | DESIGNATION                               | PAY NO   | TOTAL REMUNERATION PACKAGE |
|-------------|-----|---|----------|----------------------------|
| De Beer     | J K | SED: Health and Social Development        | 00505958 | 919 692,00                 |
| Kekana      | KD  | Municipal Manager                         | 10003042 | 1 386 012,00               |
| Lekgoro     | M   | SEH: Strategy and Operations              | 10004909 | 973 092,00                 |
| Makibinyane | LL  | SED: Public Works and Infrastructure Dev  | 10012669 | 1 038 204,00               |
| Makhari     | NV  | Chief Financial Officer                   | 10003848 | 1 192 404,00               |
| Makwarela   | M   | SED: Agriculture and Environmental Man    | 10004797 | 938 088,00                 |
| Mbongo      | SJ  | Manager: Internal Audit                   | 10012099 | 1 038 204,00               |
| Mhlekwa     | T   | SED: Economic Development                 | 10004903 | 1 049 112,00               |
| Maganye     | MD  | SED: Community Safety                     | 10014308 | 1096332,00                 |
| Choonara    | ME  | SED: Corporate and Shared Services        | 10006036 | 1 096 332,00               |
| Nkoane      | DO  | SED: City Plan, Dev and Regional Services | 10005868 | 1 096 332,00               |
| Nkwane      | GM  | CEO: 2010                                 | 10004049 | 1 153 608,00               |
| Phora       | M   | SED: Housing Services                     | 00504898 | 1 096 332,00               |
| Lukhwareni  | N   | Operations: Service Delivery Coordinator  | 00500419 | 1 356 252,00               |
| Madumo      | KD  | SED: Sport and Recreation                 | 10010591 | 941 112,00                 |
| Mangcu      | LN  | SED: Transport and Roads                  | 10012670 | 1 038 204,00               |
|             |     |   |          | 16 312980,00               |

Disclosures concerning Councillors, for the period 1 July 2010 to 30 June 2011

| Pay No   | Name                                | Position held                 | Category   | Amount (R) |
|----------|-------------------------------------|-------------------------------|------------|------------|
| 26261    | Kgosientso David Ramokgopa          | Mayor (Nov 2010 – Jun 2011)   | Salary     | 482 127,60 |
|          |                                     |                               | Transport  | 160 709,36 |
|          |                                     |                               | Cell phone | 23 976,00  |
| 10003025 | Gwendoline Malegwale Ramokgopa      | Mayor (Jul 2010 – Oct 2010)   | Salary     | 241 063,80 |
|          |                                     |                               | Transport  | 80 354,68  |
|          |                                     |                               | Cell phone | 11 988,00  |
| 10002958 | Audrey Winifred Morakana K Mosupyee | Speaker (May –Jun 2011)       | Salary     | 46 804,67  |
|          |                                     |                               | Transport  | 20 088,67  |
|          |                                     |                               | Cell phone | 2 997,00   |
| 025612   | Father S Mkhatshwa                  | Speaker (Jul 2010 – May 2011) | Salary     | 514 851,37 |
|          |                                     |                               | Transport  | 176 780,12 |
|          |                                     |                               | Cell phone | 16 456,00  |
| 025981   | Tessa Ernest                        | MMC (Jul 2010 – May 2011)     | Salary     | 497 193,62 |
|          |                                     |                               | Transport  | 165 731,50 |
|          |                                     |                               | Cell phone | 16 456,00  |
| 026228   | Sello Esrom Huma                    | MMC (Jul 2010 – May 2011)     | Salary     | 497 193,62 |
|          |                                     |                               | Transport  | 165 731,50 |
|          |                                     |                               | Cell phone | 16 456,00  |
| 026563   | Thembekile Elizabeth Mmoko          | MMC                           | Salary     | 542 393,04 |
|          |                                     |                               | Transport  | 192 851,04 |
|          |                                     |                               | Cell phone | 1 795,00   |

| Pay No   | Name                         | Position held               | Category   | Amount (R) |
|----------|------------------------------|-----------------------------|------------|------------|
| 026783   | Percy Ben Zitha              | MMC (May – Jun 2011)        | Salary     | 45 199,42  |
|          |                              |                             | Transport  | 15 066,50  |
|          |                              |                             | Cell phone | 1 496,00   |
| 10002968 | Dikeledi Joahanna Lehobye    | MMC (Jul 2010 – May 2011)   | Salary     | 497 193,62 |
|          |                              |                             | Transport  | 165 731,50 |
|          |                              |                             | Cell phone | 16 456,00  |
| 10015764 | Nkele Doreen Malapane        | MMC (May – Jun 2011)        | Salary     | 45 199,42  |
|          |                              |                             | Transport  | 15 066,50  |
|          |                              |                             | Cell phone | 1 496,00   |
| 026083   | Subesh Pillay                | MMC                         | Salary     | 542 393,04 |
|          |                              |                             | Transport  | 192 851,04 |
|          |                              |                             | Cell phone | 17 952,00  |
| 10015765 | Maidi Dorothy Mabiletsa      | MMC (May – Jun 2011)        | Salary     | 45 199,42  |
|          |                              |                             | Transport  | 15 066,50  |
|          |                              |                             | Cell phone | 1 496,00   |
| 10002969 | Elizabeth Paulina Moselelane | MMC (May – Jun 2011)        | Salary     | 45 199,42  |
|          |                              |                             | Transport  | 15 066,50  |
|          |                              |                             | Cell phone | 1 496,00   |
| 10015782 | Swartland Jabulane Mabona    | Chief Whip (May – Jun 2011) | Salary     | 45 199,42  |
|          |                              |                             | Transport  | 15 066,50  |
|          |                              |                             | Cell phone | 1 496,00   |
|          |                              |                             |            |            |

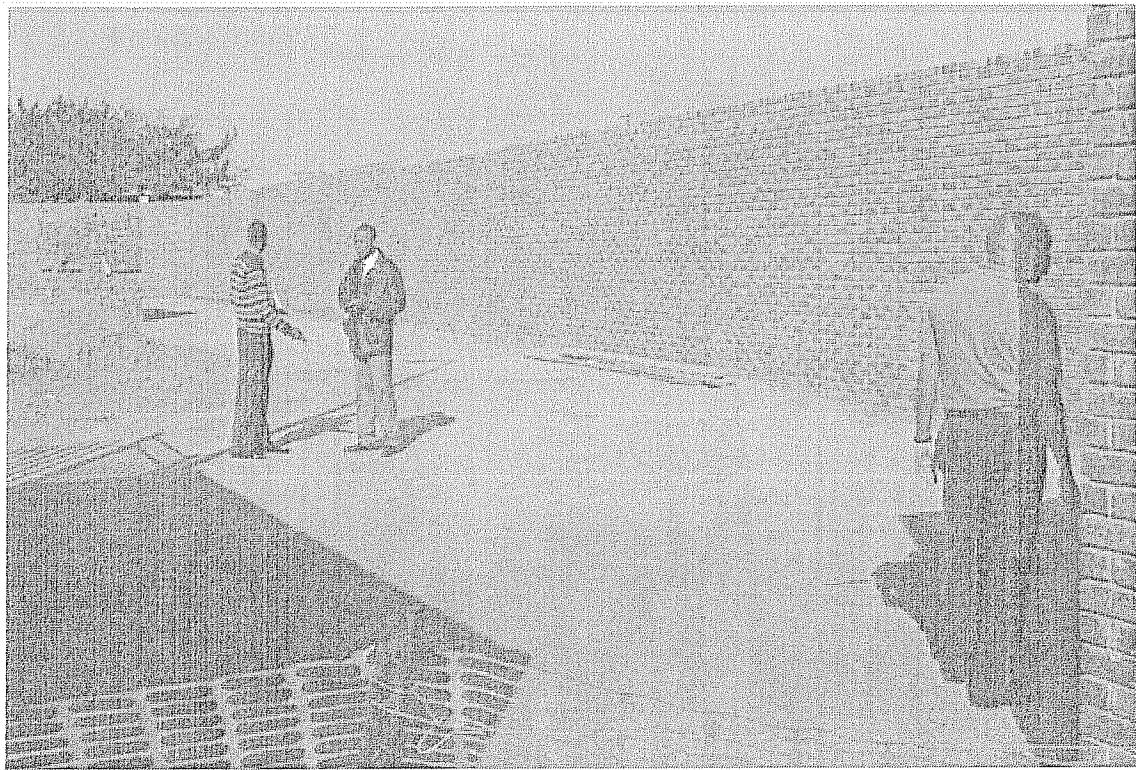
| Pay No   | Name                     | Position held             | Category   | Amount (R) |
|----------|--------------------------|---------------------------|------------|------------|
| 10012087 | Rasello Terence Mashego  | MMC (May – Jun 2011)      | Salary     | 45 199,42  |
|          |                          |                           | Transport  | 15 066,50  |
|          |                          |                           | Cell phone | 1 496,00   |
| 10015782 | Faith Mantagale Kgaditse | MMC (May – Jun 2011)      | Salary     | 45 199,42  |
|          |                          |                           | Transport  | 15 066,50  |
|          |                          |                           | Cell phone | 1 496,00   |
| 10015817 | Joshua John Ngonyama     | MMC (May – Jun 2011)      | Salary     | 45 199,42  |
|          |                          |                           | Transport  | 15 066,50  |
|          |                          |                           | Cell phone | 1 496,00   |
| 10015842 | Maupe George Matjila     | MMC (May – Jun 2011)      | Salary     | 45 199,42  |
|          |                          |                           | Transport  | 15 066,50  |
|          |                          |                           | Cell phone | 1 496,00   |
| 10012087 | Rasello Terence Mashego  | MMC (Jul 2010 – May 2011) | Salary     | 497 193,62 |
|          |                          |                           | Transport  | 165 731,50 |
|          |                          |                           | Cell phone | 16 456,00  |
| 026008   | Ernest Jacobson          | MMC (Jul 2010 – May 2011) | Salary     | 497 193,62 |
|          |                          |                           | Transport  | 165 731,50 |
|          |                          |                           | Cell phone | 16 456,00  |
| 026899   | Joachim Khrombi Dau      | MMC (Jul 2010 – May 2011) | Salary     | 497 193,62 |
|          |                          |                           | Transport  | 165 731,50 |
|          |                          |                           | Cell phone | 16 456     |

| Pay No   | Name                               | Position Held   | Category   | Jul 2010 to Jun 2011 |
|----------|------------------------------------|---|------------|----------------------|
| 10002958 | Audrey Winifred Moraka K. Mosupyoe | MMC (Jul 2010 – May 2011)                                     | Salary     | 497 193,62           |
|          |                                    |   | Transport  | 165 731,50           |
|          |                                    |   | Cell phone | 16 456,00            |
| 10002969 | Elizabeth Paulina Moselelane       | MMC (Jul 2010 – May 2011)                                     | Salary     | 497 193,62           |
|          |                                    |   | Transport  | 165 731,50           |
|          |                                    |   | Cell phone | 16 456,00            |
| 10003016 | Mathlathi Sydney Nkwashu           | MMC (Jul 2010 – May 2011)                                     | Salary     | 497 193,62           |
|          |                                    |   | Transport  | 165 731,50           |
|          |                                    |   | Cell phone | 16 456,00            |
|          | Part-time councillors              | Total of 139 (July 2010 – May 2011) and 197 (May to Jun 2011) | Salary     | 36 406<br>518,00     |
|          |                                    |   | Transport  | 12 135<br>506,00     |
|          |                                    |   | Cell phone | 1 610<br>358,00      |

Outstanding amounts owed to the City of Tshwane by employees:

Sundry debtors: Loans

| Loan type                         | GL<br>number | Closing 30/06/2011 |                     |
|-----------------------------------|--------------|--------------------|---------------------|
|                                   |              | Number of loans    | Balance (R)         |
| Motor loans                       | 50080        | 1                  | 63 747,37           |
| University loans                  | 50120        | 1                  | 2 125,80            |
| Damaged/lost goods loans          | 149300       | 8                  | 64 483,65           |
| Recovery loans [overpayments etc] | 149300       | 146                | 1 911 486,39        |
| <b>Total</b>                      |              | <b>156</b>         | <b>2 041 843,21</b> |



# CHAPTER 4

**REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG  
PROVINCIAL LEGISLATURE AND COUNCIL ON THE CITY OF  
TSHWANE METROPOLITAN MUNICIPALITY  
REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying consolidated and separate financial statements of the City of Tshwane Metropolitan Municipality, which comprise the consolidated and separate statement of financial position as at 30 June 2011, and the consolidated and separate statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages ... to ...

**Accounting officer's responsibility for the consolidated financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and for such internal control as management determines necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor-General's responsibility**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these consolidated and separate financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

7. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the City of Tshwane Metropolitan Municipality (municipality) and its entities as at 30 June 2011, and their financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA.

### **Emphasis of matters**

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

### **Significant uncertainties**

9. With reference to note 53 to the financial statements, the municipality is the defendant in a number of legal cases. The ultimate outcome of these matters cannot presently be determined, and no provision for any liabilities that may result has been made in the financial statements.

### **Restatement of corresponding figures**

10. As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of various errors discovered during the year ended 30 June 2011.

### **Material losses**

11. As disclosed in note 58 to the financial statements, the municipality suffered a significant water loss of 70 167 272 kilolitres with a value of R255,8 million during the year under review.
12. As disclosed in note 59 to the financial statements, material losses of 908 354 950 kilowatts amounting to R375,9 million were incurred as a result of electricity distribution losses. The total technical losses of electricity incurred amounted to R242 million. Non-technical losses amount to R133,9 million and are due to electricity theft, tampering and faulty meters.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

13. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages ... to ... and material non-compliance with laws and regulations applicable to the municipality and its entities.

### **Predetermined objectives**

14. There are no material findings on the annual performance report for the municipality.

#### **Presentation of information**

15. The reported performance information against predetermined objectives was deficient in respect of the following criteria for the municipal entities:

- Performance against predetermined objectives was not reported using the National Treasury guidelines.

16. The following audit findings relate to the above criteria:

#### **Actions taken to improve performance not included**

- The annual performance report of Housing Company Tshwane Non Profit Company (Housing Company Tshwane) does not include actions that are taken to improve performance where performance targets have not been met, as required by section 41(1)(d) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000)(MSA).

#### **Usefulness of information**

17. The reported performance information was deficient in respect of the following criteria for the municipal entities:

- Measurability: targets are not specific, measurable and time bound.

18. The following audit findings relate to the above criteria:

#### **Planned and reported targets are not measurable and time bound**

- For the selected objectives on Sandspruit Works Association Non Profit Company (Sandspruit), 68% of the planned and reported targets, as per the revised strategic plan, were not measurable in identifying the required performance.
- For the selected objectives on Sandspruit, 74% of the planned and reported targets, as per the revised strategic plan, were not time-bound in specifying the time period or deadline for delivery.

#### **Reliability of information**

19. The reported performance information was deficient in respect of the following criteria for the municipal entities:

- Validity: The reported performance did not occur and does not pertain to the entity.
- Accuracy: The amounts, numbers and other data relating to reported actual performance have not been recorded and reported appropriately.

20. The following audit findings relate to the above criteria:

**Reported performance against targets is not valid and accurate when compared to source information**

- For the selected objectives on Sandspruit, 57% of the actual targets reported were not valid when compared to source information.
- For the selected objectives on Sandspruit, 29% of the actual targets reported were not accurate when compared to source information.

**Compliance with laws and regulations**

**Strategic planning and performance management**

21. In the annual performance report of Housing Company Tshwane, the performance review does not include the actual performance of all indicators and targets as required by section 46 of the MSA.
22. Targets as per the Business Plan for the 2010-2011 financial year were not indicated for all indicators as required by section 46 of the MSA for Housing Company Tshwane.

**Budgets**

23. The municipality incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget as disclosed in note 46 to the financial statements. This is in contravention of section 15 of the MFMA.
24. The accounting officer of the municipality did not always submit the monthly budget statements to the mayor and the relevant provincial treasury, as required by section 71(1) of the MFMA.
25. The total unforeseen and unavoidable expenditure incurred by the municipality for which no provision was made in the approved budget, exceeded R15 million, in contravention of regulation 72 of the Municipal Budget and Reporting Regulations.

**Annual financial statements**

26. The financial statements submitted for auditing by the municipality, was not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of investment properties identified by

the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

#### **Internal audit**

27. The internal audit did not function for Housing Company Tshwane and Sandspuit as required by section 165 of the MFMA, in that:
  - Internal audit did not prepare a risk-based audit plan and an internal audit programme for the financial year under review;
  - Internal audit did not report to the audit committee on the implementation of the internal audit plan;
  - Internal audit did not advise the accounting officer and report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.
28. Internal audit did not advise the accounting officer and report to the audit committee on matters relating to compliance with the MFMA and other applicable legislation as required by section 165(2)(b) of the MFMA for Housing Company Tshwane and Sandspuit.

### **Procurement and contract management**

29. Awards were made by the municipality to providers who are persons in service of the municipality in contravention of supply chain management (SCM) regulation 44. Furthermore, the providers failed to declare that they were in the service of the municipality as required by supply chain management (SCM) regulation 13(c).
  
30. Awards were made by the municipality to providers who are persons in service of other state institutions in contravention of the requirements of SCM regulation 44. Furthermore, the providers failed to declare that they were in the service of the state as required by SCM regulation 13(c).

### **Expenditure management**

31. Money owing by the municipality and its entities were not always paid within 30 days of receiving an invoice or statement, as required by sections 65(2)(e) and 99(2)(b) of the MFMA.
  
32. The accounting officer of the municipality did not take reasonable steps to prevent unauthorised and irregular expenditure as required by section 62(1)(d) of the MFMA.

### **INTERNAL CONTROL**

33. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

### **Leadership**

34. The municipality did not have sufficient monitoring controls to ensure proper implementation of the submission of budget information as required by legislation as well to ensure compliance with SCM prescripts.
  
35. Policies and procedures on performance reporting were not established and implemented at the municipal entities to enable and support the understanding and execution of internal control objectives, processes and responsibilities.

### **Financial and performance management**

36. Although processes are in place at the municipality to ensure complete and timely reporting to relevant authorities in respect of the budgets, certain reports were not submitted within the required timeframe as required by legislation and the in-year monitoring of expenditure against budget was inadequate.
  
37. Material adjustments made to the financial statements were mainly due to senior management not reviewing the accuracy and completeness of the financial statements prior to submission for auditing.

- 38. Regular, accurate and complete performance reports that are supported by reliable information were not prepared by the municipal entities.
  
- 39. Compliance with applicable laws and regulations were not adequately reviewed and monitored.

#### **Governance**

- 40. An adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective actions effectively was not in place for the municipal entities as mentioned in paragraphs 27 and 28 of this report.

### **OTHER REPORTS**

#### **Investigations**

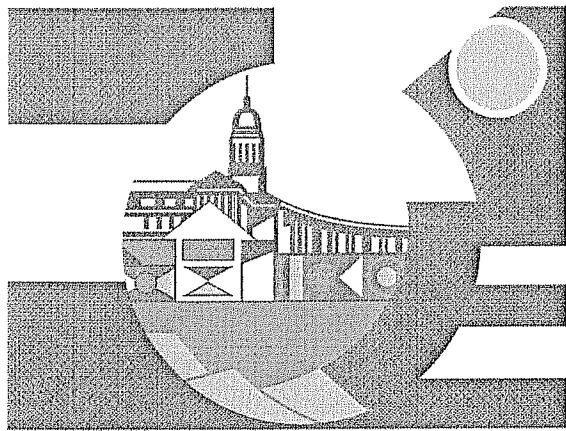
- 41. Investigations are being conducted at the municipality in respect of allegations relating to the affairs of the municipality which have been referred to the Special Investigating Unit by the President in terms of Proclamation R62 of 2010, dated 08 November 2010. The full review period is 1 January 2007 to 8 November 2010. The investigation commenced on 1 December 2010 and will be conducted over a 24 month period, up to 31 December 2012. The investigation includes the areas of SCM, fraud and financial misconduct.
  
- 42. Thirty cases were investigated at the municipality by the forensic audit section of the internal audit division for the financial year under review. Of these, 16 cases were finalised and 14 are still in progress. The nature of the cases covered a wide spectrum of activities including SCM, fraud and financial misconduct.
  
- 43. An investigation is being conducted by the Special Investigating Unit at Civirelo Water Non Profit Company, based on the findings included in the due diligence report prepared for the municipal entity. The investigation relates to various SCM and governance issues and covers the period 1 January 2007 until the date of disestablishment of the entity, 30 June 2010. The investigation had not yet been finalised at the date of this report.

Johannesburg

14 December 2011



*Auditing to build public confidence*



## **CITY OF TSHWANE**

"we are the same"

## **CITY OF TSHWANE METROPOLITAN MUNICIPALITY**

Annual Consolidated Financial Statements for the year ended 30  
June 2011

**City of Tshwane Metropolitan Municipality**  
 Annual Consolidated Financial Statements for the year ended 30 June 2011

## General Information

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|   |   |
|---|---|
| Legal form of entity  | Municipality (MFMA)   |
| Mayoral committee   |   |
| Executive Mayor   | Ramokgopa, Kgosientso   |
| Mosupyoee, Morokane (Speaker) Mabona, Jabu (Chief Whip)   |   |
| Councillors   | Pillay, Subesh (MMC: Economic Development & Planning)   |
| Ngonyama, Joshua (MMC: Housing and Sustainable Human Settlement) Malapane, Nkele (Ms) (MMC: Agriculture and Environment)  |   |
| Mashego, Terence (MMC: Safety and Security) Mabiletsa, Dorothy (Ms) (MMC: Finance)  |   |
| Kgaditse, Faith (Ms) (MMC: Sport, Recreation, Arts and Culture) Matjila, George (MMC: Roads & Transport)                  |   |
| Zitha, Percy (MMC: Public Works and Infrastructure)   |   |
| Moselelane, Sibongile (Ms) (MMC: Health and Social Development) Mmoko, Thembisa (Ms) (MMC: Corporate and Shared Services) |   |
| Grading of local authority  | High Capacity (Metro)   |
| Accounting Officer  | Ngobeni, Jason (From 1 September 2011)  |
| Telephone: 012-358 4901   |   |
| E-mail: ngobeniJ3@tshwane.gov.za  |   |
| Chief Finance Officer (CFO)   | Dyakala, Andile   |
| Telephone: 012-358 8100   |   |
| E-mail: DyakalaA@tshwane.gov.za   |   |
| Registered office   | 9th Floor   |
| Monitoria<br>Van der Walt Street<br>PRETORIA<br>0002  |   |
| Postal address  | P O Box 408   |
| PRETORIA<br>0002  |   |
| Bankers   | Standard Bank   |
| Auditors  | Auditor-General South Africa (AGSA)   |
| Legislation governing the municipality's operations   | Local Government: Municipal Finance Management Act (Act 56 of 2003)<br>Local Government: Municipal Systems Act (Act 32 of 2000)<br>Local Government: Municipal Structures Act (Act 117 of 1998)<br>Housing Act (Act 107 of 1997)<br>Constitution of the Republic of South Africa (Act 108 of 1996)<br>Property Rates Act (Act 6 of 2004)<br>Division of Revenue Act (Act 1 of 2007)   |
| Entities consolidated   | Consistent with the prior financial year the following Municipal entities were included in the Consolidated Annual Financial Statements:<br>Housing Company Tshwane<br>Sandspruit Works Association (ODI Water and Waste Water)<br>Civirelo Water (Disestablished on 30 June 2010. All assets & liabilities were taken over on 1 July 2010.<br>Tradepoint Pretoria (liquidated)<br>Cenbis (final stages of voluntary liquidation) |

**City of Tshwane Metropolitan Municipality**  
 Annual Consolidated Financial Statements for the year ended 30 June 2011

## Index

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The reports and statements set out below comprise the annual consolidated financial statements presented to the provincial legislature:

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The following supplementary information does not form part of the annual consolidated financial statements and is unaudited:

Appendices:

|   |           |
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**City of Tshwane Metropolitan Municipality**  
 Annual Consolidated Financial Statements for the year ended 30 June 2011

**Certification by City manager**

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The accounting officer are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual consolidated financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual consolidated financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent audit opinion on the annual consolidated financial statements and are given unrestricted access to all financial records and related data of the municipality.

The annual consolidated financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual consolidated financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal controls aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I am responsible for the preparation of these annual consolidated financial statements, which are set out from pages 4 to 123, in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

---

Jason Ngobeni  
**CITY MANAGER**

Pretoria  
 30 September 2011

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Report of the Chief Financial Officer

### 1. INTRODUCTION

The Minister of Finance, in his second Budget Policy Statement to Parliament on 27 October 2010, indicated that the country is slowly moving out of the greatest recession in over 70 years. He further indicated that there are promising signs of economic recovery indicated by the strengthening of the Rand, the decrease in the repo rate as well as the positive trend recorded in the motor trade and manufacturing industry.

The management and leadership of the city had a significant role to play in managing the effect of the economic slowdown while remaining focused on effective service delivery. The application of sound financial management principles is essential and critical to ensure that the City of Tshwane remained financially viable and that municipal services were provided economically to all communities. The City of Tshwane's business was critically reviewed and re-prioritised, so that money is transferred from low- to high priority programs during the 2010/11 MTREF, thereby contributing towards achieving and maintaining sound financial stewardship.

The changed financial outlook of the City of Tshwane indicates that all efforts have paid off. The negative financial outlook granted by Moody's on 7 July 2009 was changed to stable as at 30 November 2010. Moody's indicated that the change in financial outlook reflects the effectiveness of the city's efforts towards fiscal recovery, which has resulted in an improved liquidity position and cash-flows after the fiscal challenges experienced in 2008/09 and 2009/10. It is clear that the City of Tshwane's financial recovery is on track, although prudent financial management requires certain constraints regarding expenditure to ensure sound financial management and sustainability over the medium- to long-term.

The main challenges experienced during the 2010/11 financial year can be summarised as follows:

- Ailing bulk electricity infrastructure;
- Re-prioritising of projects and expenditure within the existing resource envelope;
- Tariff increases in bulk purchases from Eskom and Rand Water;
- Affordability of accounts for residents - continuous high tariff increases are not sustainable over the long-term as consumers have reached their saturation point in terms of affordability;
- Re-prioritised capital projects to ensure affordability.

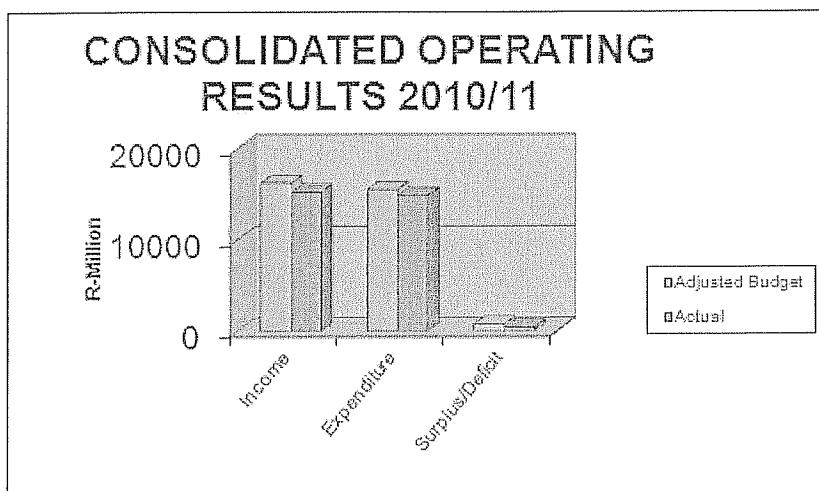
The City of Tshwane does not shy away from adapting to circumstances and will not hesitate to do things differently. During the 2010/11 budget process functions were therefore prioritised to ensure that the basic needs of the community are addressed. The capital budget was compiled in the view of fast tracking backlogs and maintaining of the municipality's assets.

### 2. REVIEW OF OPERATING RESULTS

The 2010/11 budget of the City of Tshwane was approved by Council on 27 May 2010 and the Adjustment Budget was approved by Council on 27 January 2011.

#### 2.1 General

Details of the 2010/11 operating results per department and classification of revenue and expenditure are included in the Statement of Financial Performance and appendix D. Below is a graphical presentation of the operating results:



The overall operating results for the year ending 30 June 2011 are as follows:

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Report of the Chief Financial Officer

|  | Original Budget 2011 | Adjusted Budget 2011 | Actual 2011  | Actual 2011 | Variance Actual/ Adjusted Budget | Actual 2010 Restated Municipality | Actual 2010 Restated Group |
|--|----------------------|----------------------|--------------|-------------|----------------------------------|-----------------------------------|----------------------------|
|  | Group                | Group                | Municipality | Group       |                                  |                                   |                            |
|  | R'000                | R'000                | R'000        | R'000       | %                                | R'000                             | R'000                      |
| Accumulated surplus: Beginning of year | -                    | -                    | 1,233,872    | 1,259,374   | -                                | 853,406                           | 847,930                    |
| Operating revenue for the year         | 16,638,316           | 16,252,426           | 15,167,910   | 15,226,980  | 6.30                             | 13,517,149                        | 13,689,664                 |
|  |                      |                      | 16,401,782   | 16,486,354  |                                  | 14,370,555                        | 14,537,594                 |
| <b>EXPENDITURE</b>                     |                      |                      |              |             |                                  |                                   |                            |
| Operating expenditure for the year     | 15,122,913           | 15,485,456           | 14,774,270   | 14,819,882  | 4.29                             | 13,057,239                        | 13,198,775                 |
| Sundry transfers *                     | 1,515,403            | 766,970              | 305,075      | 305,075     | -                                | 79,444                            | 79,445                     |
| Accumulated surplus: End of year       | -                    | -                    | 1,322,437    | 1,361,397   | -                                | 1,233,872                         | 1,259,374                  |
|  |                      |                      | 16,252,426   | 16,401,782  |                                  | 14,370,555                        | 14,537,594                 |

\* Sundry transfers consist of transfers to and from the reserves for example offset depreciation for projects financed from grants and the Capital Replacement Reserve

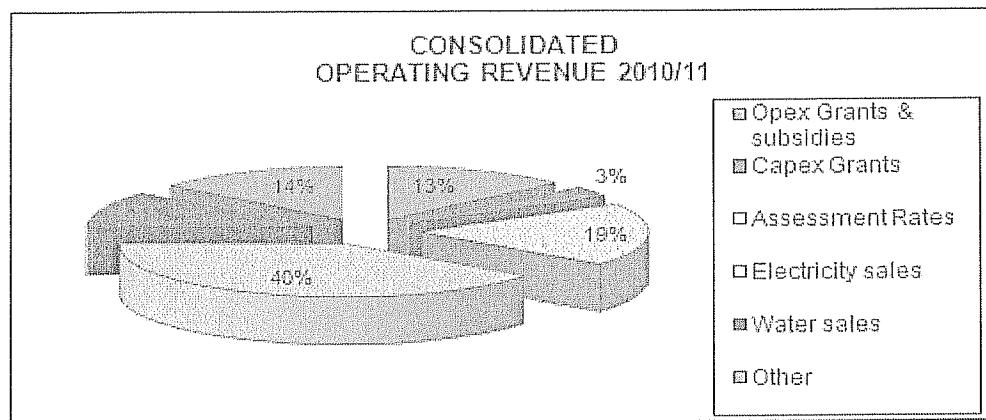
The actual net expenditure of the Municipality reflects an increase of 13.2% (Group = 12.3%) while the actual revenue of the Municipality increased by 12.2% (Group = 11.2%) since 2009/10. The largest increase on revenue since 2009/10 occurred on assessment rates (7.7%) and service charges (18.4%). The largest increase on expenditure since the previous financial year occurred on the following items:

| Expenditure item             | Group (increase) % | Municipality (increase) % |
|------------------------------|--------------------|---------------------------|
| Remuneration                 | 20.5               | 20.4                      |
| Grants and subsidies paid    | 120.2              | 120.2                     |
| General expense              | 17.1               | 18.7                      |
| Interest paid Bulk purchases | 0.2                | 0.4                       |
| Depreciation                 | 22.5               | 25.3                      |
|                              | 5.4                | 5.4                       |

The increase in depreciation was due to the review of useful lives and the purification of the fixed asset register. The increase in general expenditure (refer to note 35) was due to an increase in the post employment benefit expense, service providers, project linked housing, etc. The increase in bulk purchases was the result of an increase in customer demand and tariff increases by Eskom and Rand Water.

### 2.2 Operating Revenue

The following graph gives a breakdown of the largest categories of revenue.



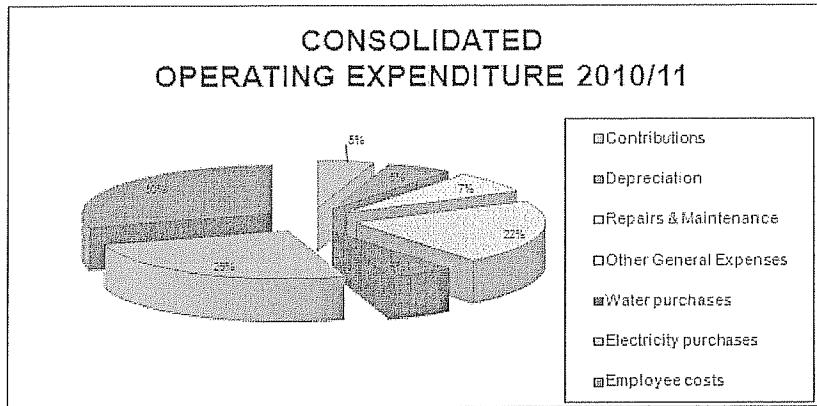
# City of Tshwane Metropolitan Municipality

## Annual Consolidated Financial Statements for the year ended 30 June 2011

### Report of the Chief Financial Officer

#### 2.3 Operating expenditure

The graph below gives the break down per main expenditure group.

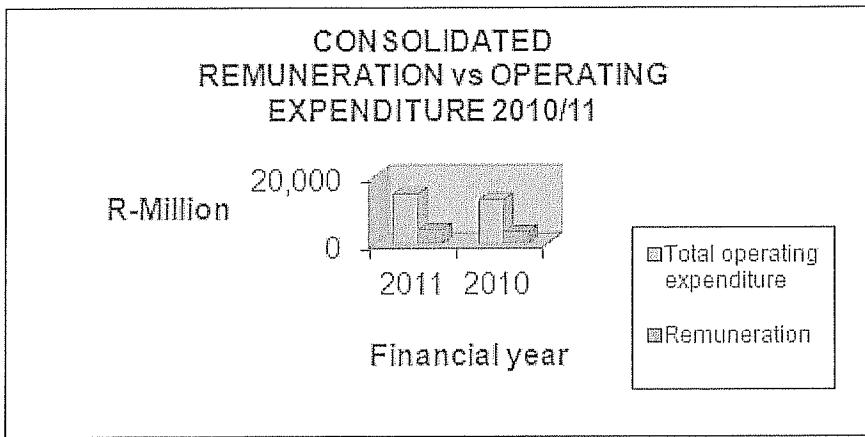


#### Remuneration

The actual expenditure on remuneration expressed as a percentage of the total expenditure increased from 27.0% to 28.7% since 2009/10 for the municipality. For the group it increased from 27.1% in 2009/10 to 29.0% in 2010/11.

The total remuneration cost and the allocation of individual items in a remuneration package differ from municipality to municipality for example; certain municipalities are more contracts intensive whilst others might be more labour intensive. In terms of the Restructuring grant, the target for remuneration as a percentage of revenue is 33.0%.

| Group                            |  | Municipality |               |
|----------------------------------|--|--------------|---------------|
| Description                      |  | 2011         | Restated 2010 |
| Total operating expenditure      |  | 14,819,882   | 13,198,775    |
| Total operating revenue          |  | 15,226,980   | 13,689,664    |
| Employee remuneration            |  | 4,304,326    | 3,572,319     |
| Ratio: % of total expenditure    |  | 29.0 %       | 27.1 %        |
| Ratio: % of total revenue        |  | 28.3 %       | 26.1 %        |
| % Growth in remuneration expense |  | 20.5 %       | 16.6 %        |



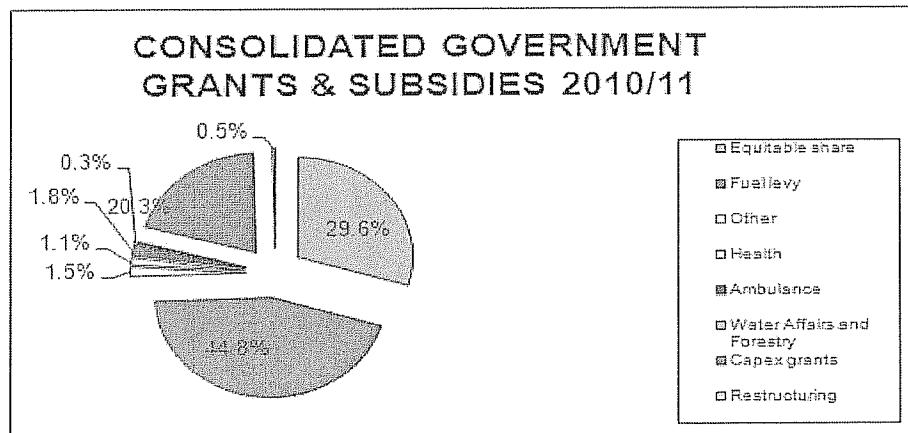
#### 2.4 Government grants and subsidies

The following table and graph show the amounts received in terms of grants, contributions and subsidies from the Central Government and the Gauteng Provincial Government, which amounts have been included in the total revenue:

**City of Tshwane Metropolitan Municipality**  
 Annual Consolidated Financial Statements for the year ended 30 June 2011

**Report of the Chief Financial Officer**

| Group                                    | Actual<br>2011<br>R'000 | Actual<br>2010<br>R'000 | Actual<br>2011<br>R'000 | Actual<br>2010<br>R'000 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Description                              |                         |                         |                         |                         |
| Equitable share                          | 717,978                 | 528,547                 | 717,978                 | 528,547                 |
| Equitable share: Fuel levy               | 1,085,816               | 969,463                 | 1,085,816               | 969,463                 |
| Provincial Health Subsidy                | 27,271                  | 24,250                  | 27,271                  | 24,250                  |
| Provincial Ambulance Subsidy             | 44,415                  | 40,713                  | 44,415                  | 40,713                  |
| Capex: grants and donations              | 492,893                 | 763,239                 | 492,893                 | 763,239                 |
| Opex: grants and donations               | 125,139                 | 142,592                 | 125,139                 | 138,079                 |
| Finance Management Grant                 | 1,612                   | 1,422                   | 1,612                   | 1,422                   |
| Restructuring Grant                      | 11,243                  | 29,627                  | 11,243                  | 29,627                  |
| Department of Water Affairs and Forestry | 6,664                   | 9,103                   | 6,664                   | 9,103                   |
| MSIG                                     | -                       | 498                     | -                       | 498                     |
|  | 2,513,031               | 2,509,454               | 2,513,031               | 2,504,941               |



### 3. DEBTORS

Details regarding the debtors are provided in Note 17 (Long-term receivables), Note 19 (Consumer Debtors) and Note 20 (Other Debtors) of the Notes to the Annual Financial Statements.

#### Long-term receivables:

The long-term receivables showed a decrease of R74.9 million (20.5%). This decrease can mainly be ascribed to a decrease in arrangement debtors (R34.5 million decrease), a decrease in housing debtors (R36.5 million decrease) and a decrease in land sale debtors (R3.9 million).

#### Consumer debtors:

The consumer debtors increased in total with an amount of R435.1 million (10.2%) for the municipality. For the group it increased with R472.2 million (10.4%). The increase in debt per customer classification is made up as follows:

| Group                              | Total<br>R'000 | Increase/<br>(Decrease)<br>R'000 | Total<br>R'000 | Increase/<br>(Decrease)<br>R'000 |
|------------------------------------|----------------|----------------------------------|----------------|----------------------------------|
| Customer classification            |                |                                  |                |                                  |
| Households                         | 3,307,857      | 220,265                          | 3,002,387      | 183,063                          |
| Industrial/Commercial              | 1,016,368      | 168,348                          | 1,016,368      | 168,348                          |
| National and Provincial government | 15,049         | (48,236)                         | 15,049         | (48,236)                         |
| Other                              | 655,066        | 131,909                          | 655,066        | 131,909                          |
|                                    | 4,994,340      | 472,286                          | 4,688,870      | 435,084                          |

The increase in consumer debt per age analysis is as follows:

**City of Tshwane Metropolitan Municipality**  
 Annual Consolidated Financial Statements for the year ended 30 June 2011

**Report of the Chief Financial Officer**

| Group               | Municipality   |                                  |                  |                                  |
|---------------------|----------------|----------------------------------|------------------|----------------------------------|
|                     | Total<br>R'000 | Increase/<br>(Decrease)<br>R'000 | Total<br>R'000   | Increase/<br>(Decrease)<br>R'000 |
| Age analysis group  |                |                                  |                  |                                  |
| Current (0-30 days) | 1,717,166      | 194,542                          | 1,411,696        | 157,340                          |
| 31 – 60 days        | 101,304        | (68,872)                         | 101,304          | (68,872)                         |
| 61 – 90 days        | 93,940         | (18,318)                         | 93,940           | (18,318)                         |
| 91 + days           | 3,081,930      | 364,934                          | 3,081,930        | 364,934                          |
| <b>4,994,340</b>    | <b>472,286</b> |                                  | <b>4,688,870</b> | <b>435,084</b>                   |

**Other debtors:**

The municipality's other debtors decreased with an amount of R20.7 (2.4% decrease) and for the group it decreased with R48.8 million (5.8%). This can be attributed to a decrease in the Sandspruit debtor (municipal entity) of R30.7 million, a decrease in the MIG debtor to the amount of R45.3 million and the outstanding housing grant decreasing to zero. These decreases were counteracted by an increase in housing debtors of R4.3 million, government subsidy (health and ambulance) debtor increased with R24.3 million, waste management debtor increased with R24.0 million, sundry persons increased with R54.8 million, public contribution debtor increased with R31.5 million, RTMC debtor increased with R29.7 million and other current debtors increased with R81.5 million.

**3.1 Consumer debtors**

The following is an indication of the effectiveness of credit control measures, as well as the ability to convert debtors into cash:

| Group   | Municipality |               |            |               |
|---|--------------|---------------|------------|---------------|
|   | 2011         | Restated 2010 | 2011       | Restated 2010 |
| Description   |              |               |            |               |
| Debits levied : Consumer debtors                                  | 11,294,714   | 9,784,872     | 11,301,464 | 9,717,479     |
| Balance on 1 July   | 4,522,054    | 4,228,530     | 4,253,786  | 3,994,060     |
| Balance on 30 June  | 4,994,340    | 4,522,054     | 4,688,870  | 4,253,786     |
| Average balance   | 4,758,197    | 4,375,292     | 4,471,328  | 4,123,923     |
| Turnover: Number of times (levies/average balance)                | 2.37         | 2.24          | 2.52       | 2.36          |
| Turnover: Number of days (days in financial year/number of times) | 154          | 163           | 145        | 155           |
| Days in the financial year  | 365          | 365           | 365        | 365           |

From the table it is clear that, although the number of days to recover debt decreased from 155 to 145 days for the municipality since 2009/10 the outstanding consumer debt still is negative. For the group the turnover decreased from 163 to 154 days since 2009/10. This high turnover has serious implications on the cash flow of the Municipality specifically.

A collection rate calculated on the total levies for a period compared to the total payments received during the same period is used to measure revenue recovery. The credit control policy and the actions taken in terms of the policy started producing better results, since an average collection rate of 105.7% (2010 = 105.0%; 2009 = 98.3%; 2008 = 99.0% and 2007 = 98.3%) was maintained by the municipality during the 2010/11 financial year.

**4. CAPITAL EXPENDITURE AND FINANCING (only with regard to Municipality)**

The Municipality's original approved Capital Expenditure Budget for 2010/11 amounted to R3 194 974 947 and was accepted by National Treasury. This Capital Budget was amended to R2 424 280 496 in the adjustments budget approved by Council on 27 January 2011. Unlike in the previous two financial years the capital budget was not reduced in terms of internal funding, but re-aligned to ensure that maximum performance and capacity was achieved. However, the budget was reduced by a total amount of R770 694 451 which mainly related to external funding. A number of transfers between capital projects were also processed during the adjustment budget process.

Actual capital expenditure incurred during the year in respect of property, plant and equipment amounted to R2 243 251 713 or 92.5% of the approved adjusted budget of R2.424 billion which results in an under spending of R181.0 million or 7.5%. In comparison with the total capital spending of the 2009/10 financial year a negative variance of 1.7% is reflected, which is mainly attributed to non-achievement of the adjusted 2010/11 SDBIP targets, owing to various reasons such as:

- Delays in design work due to Park and Ride access routes having to change
- Tender reports referred back by the Bid Adjudication Committee during the financial year delayed capital projects
- Contractual problems being experienced
- The non-gazetting by the Gauteng Government of grant allocations

The table below represents the capital expenditure per type of asset:

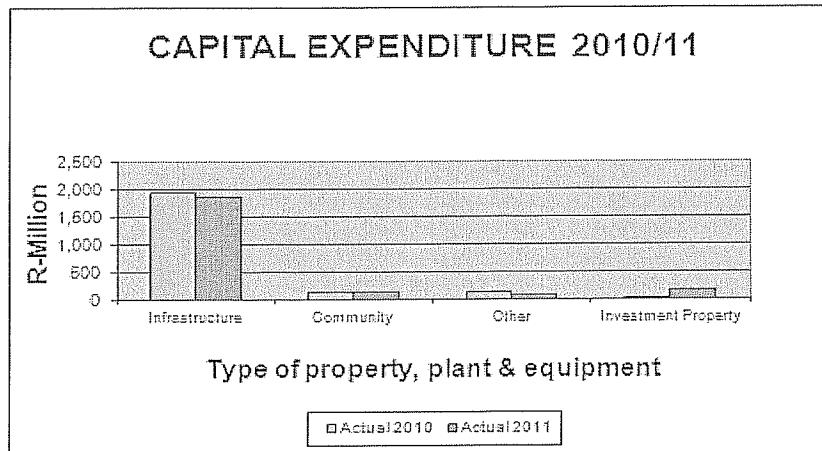
**City of Tshwane Metropolitan Municipality**  
Annual Consolidated Financial Statements for the year ended 30 June 2011

**Report of the Chief Financial Officer**

Actual Capital expenditure according to asset class

| Group<br>Type of Asset | Municipality        |                                 |                      |                                 |
|------------------------|---------------------|---------------------------------|----------------------|---------------------------------|
|                        | Actual<br>2011<br>R | Actual<br>2010<br>Restated<br>R | Actual<br>2011<br>R  | Actual<br>2010<br>Restated<br>R |
| Infrastructure         | 1,835,259,553       | 1,921,073,240                   | 1,835,259,553        | 1,921,073,240                   |
| Community              | 118,027,212         | 132,800,107                     | 118,027,212          | 132,800,107                     |
| Intangibles            | 54,366,653          | -                               | 54,366,653           | -                               |
| Investment properties  | 152,094,005         | 13,110,922                      | 152,094,005          | 13,110,922                      |
| Specialised vehicles   | -                   | 6,280,884                       | -                    | 6,280,884                       |
| Other                  | 83,504,290          | 131,148,450                     | 83,504,290           | 131,148,450                     |
| <b>2,243,251,713</b>   |                     | <b>2,204,413,603</b>            | <b>2,243,251,713</b> | <b>2,204,413,603</b>            |

The graph shows the distribution of the property, plant and equipment according to the type of asset:



The above-mentioned property, plant and equipment of the parent were financed from the following sources:

| Type of finance                              | Municipality<br>Original<br>Budget<br>2011 | Municipality<br>Adjusted<br>Budget<br>2011 | Municipality<br>Actual<br>2011 | Municipality<br>Actual as<br>% of<br>Adjusted<br>Budget<br>2011 | Municipality<br>Actual<br>2010<br>Restated |
|--|--|--|--------------------------------|---|--|
|  | R'000                                      | R'000                                      | R'000                          | %   | R'000                                      |
| Council funding                              | 1,831,910                                  | 1,825,169                                  | 1,720,266                      | 94  | 1,431,696                                  |
| Public Transport Infrastructure Grant (PTIS) | 804,180                                    | 61,168                                     | 20,814                         | 34  | 326,889                                    |
| Provincial Grants and subsidies              | 46,878                                     | 38,521                                     | 10,879                         | 28  | 7,043                                      |
| Government Housing grant                     | 5,400                                      | 6,604                                      | 13,938                         | 211   | 30,174                                     |
| Municipal Infrastructure Grant (MIG)         | 380,568                                    | 380,568                                    | 374,071                        | 98  | 342,629                                    |
| National Electricity Regulator (NER)         | 88,000                                     | 78,000                                     | 75,082                         | 96  | 55,921                                     |
| Other funding                                | 38,039                                     | 34,250                                     | 28,202                         | 82  | 10,062                                     |
| <b>3,194,975</b>                             |  | <b>2,424,280</b>                           | <b>2,243,252</b>               | <b>92</b>   | <b>2,204,414</b>                           |

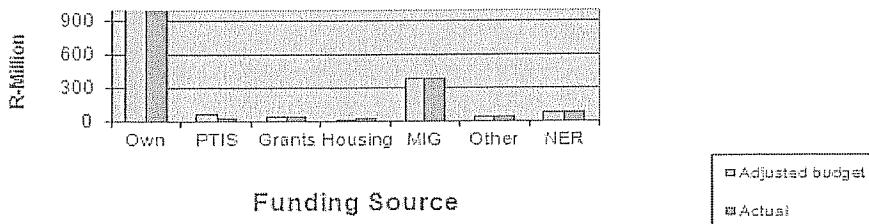
The graph below presents the financing sources:

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Report of the Chief Financial Officer

### PROPERTY, PLANT & EQUIPMENT FUNDING SOURCES 2010/11



#### National Electricity Grant

R10.0 million was reduced against the original budget of the electricity for all project which was funded by DoE owing to under-spending of the grant allocation. This is in line with section 17 of the DoRA and section 38 of the MFMA (Act 56 of 2003). According to the strategic unit/department this funding has been deferred to the 2011/12 financial year.

#### Public Transport, Infrastructure and Systems (PTIS) Grant funded projects

The original PTIS grant was substantially reduced. The BRT project did not continue in terms of capital works in the 2010/11 financial year. A portion of the allocated funding was removed from the capital budget and allocated to the operating budget for operational related expenditure. The funding was stopped in line with section 16(3)(a)(i) of the DoRA 2010 due to non-compliance of planned expenditure in terms of the Public Transport Strategy as required by the DoRA framework.

#### Expanded Public Works Program

The original allocated funding for the Expanded Public Works Incentive Grant was also removed during the adjustment budget. This was a conditional grant of which allocations were based on the reporting of job opportunities created by the city in terms of labour intensive initiatives on the capital works program. The original allocations were not in line with departmental reporting and some strategic units/departments were not taken into account.

#### Conclusion:

During the 2009/10 financial year the capital budget funded from loans amounted to R1 081.0 million and an amount of R 1000.0 million was included in the capital budget funded from loans for the 2010/11 financial year. Of the R1 081.0 million only R720.0 million was taken up during 2009/10. The outstanding loan amount of R361.0 million was only taken up during November 2010 and the total loan amount for the 2010/11 financial year was therefore increased to R1 361.0 million in the 2010/11 Adjustment Budget. Although the taking up of loans for the next two financial years amounts to R1.0 billion per annum, the issuing of bonds will also be considered for the 2011/12 financial year to ensure prudent financial management.

When comparing the actual expenditure to the budgeted expenditure the financing source of capital projects plays an important role. The funding from own sources which are primarily the Capital Replacement Reserve and the External Financing Fund (external loans taken up), can largely influence the following aspects:

- Depreciation
- The raising of loans
- The cash flow of the Municipality

## 5. ACCOUNTING RATIOS

### 5.1 Current asset ratio

This ratio mainly involves the financial resources used in the operating cycle of a local authority. Operating capital represents the surplus of current assets over current liabilities. This is a useful indicator when determining the ability to fund operating expenditure.

This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk since short-term debt can be paid out of short-term assets. The following table shows the calculation of the operating capital ratio:

**City of Tshwane Metropolitan Municipality**  
Annual Consolidated Financial Statements for the year ended 30 June 2011

**Report of the Chief Financial Officer**

| Group<br>Description                            | Municipality     |                           |                  |                           |
|---|------------------|---------------------------|------------------|---------------------------|
|   | 2011<br>R'000    | 2010<br>Restated<br>R'000 | 2011<br>R'000    | 2010<br>Restated<br>R'000 |
| <b>CURRENT ASSETS:</b>                          |                  |                           |                  |                           |
| Cash  | 410,095          | 111,633                   | 359,233          | 93,218                    |
| Inventory                                       | 326,873          | 213,011                   | 324,768          | 183,065                   |
| Debtors   | 3,075,081        | 2,889,680                 | 3,139,190        | 2,913,428                 |
| Non-current assets held for sale                | 2,227            | 2,392                     | 2,227            | 2,392                     |
| Investments (short-term)                        | 496,338          | 641,132                   | 496,338          | 641,037                   |
| Short-term portion of long-term debtors         | 102,835          | 124,984                   | 102,835          | 124,984                   |
|   | <b>4,413,449</b> | <b>3,982,832</b>          | <b>4,424,591</b> | <b>3,958,124</b>          |
| <b>CURRENT LIABILITIES:</b>                     |                  |                           |                  |                           |
| Creditors                                       | 3,911,130        | 3,591,954                 | 3,939,722        | 3,574,762                 |
| Short-term portion of long-term liabilities     | 494,950          | 499,612                   | 494,634          | 498,570                   |
| Short-term portion of finance lease liabilities | 106,981          | 108,537                   | 106,981          | 108,537                   |
| Current provisions                              | 1,270            | 998                       | -                | -                         |
| Deposits  | 359,617          | 321,807                   | 356,856          | 319,509                   |
| Overdrawn bank account                          | -                | 12,979                    | -                | 12,979                    |
|   | <b>4,873,948</b> | <b>4,535,887</b>          | <b>4,898,193</b> | <b>4,514,357</b>          |
| Net Operating Capital                           | (460,499)        | (553,055)                 | (473,602)        | (556,233)                 |
| Current asset ratio                             | 0.91:1           | 0.88:1                    | 0.90:1           | 0.88:1                    |

The ratio increased since 2009/10 from 0.88:1 to 0.90:1 for the municipality. For the group the ratio increased from 0.88:1 to 0.91:1 since 2009/10. This is due to the fact that the current liabilities increased with only 8.5% (group = 7.5%) whilst the current assets increased with 11.8% (group = 10.8%) as well as the improved cash and cash equivalents.

The increase in current assets can mainly be ascribed to the increase in debtors, inventory and cash.

The increase in current liabilities mainly arose from the increase in deposits and an increase of 10.2% in trade creditors for the municipality and for the group an increase of 8.9%.

The private sector norm is a ratio of 1:1. However, a norm for local government is currently not available.

### 5.2 Quick asset ratio (Acid test)

The quick asset ratio is a fairly accurate test of a local authority's ability to settle its short-term debt. When calculating this ratio, only assets that can be converted into cash are taken into account. Since material and stock are for the local authority's own use and are not for sale, they are not included in the calculations. The private sector sets a ratio of 1:1 as being acceptable. The figures below reflect the Municipality's quick asset ratio per year:

| Group<br>Description | Municipality     |                           |                  |                           |
|----------------------|------------------|---------------------------|------------------|---------------------------|
|                      | 2011<br>R'000    | 2010<br>Restated<br>R'000 | 2011<br>R'000    | 2010<br>Restated<br>R'000 |
| Current assets       | 4,413,449        | 3,982,832                 | 4,424,591        | 3,958,124                 |
| Less: Inventory      | (326,873)        | (213,011)                 | (324,768)        | (183,065)                 |
| Total                | <b>4,086,576</b> | <b>3,769,821</b>          | <b>4,099,823</b> | <b>3,775,059</b>          |
| Current liabilities  | <b>4,873,948</b> | <b>4,535,887</b>          | <b>4,898,193</b> | <b>4,514,357</b>          |
| Quick asset ratio    | <b>0.84:1</b>    | <b>0.83:1</b>             | <b>0.84:1</b>    | <b>0.84:1</b>             |

### 5.3 Solvability

In the solvency ratio, the total assets are compared to the total liabilities, and it shows the ability of the Municipality to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. The following table shows the calculation of the solvency ratio:

**City of Tshwane Metropolitan Municipality**  
Annual Consolidated Financial Statements for the year ended 30 June 2011.

**Report of the Chief Financial Officer**

| Group                         | Municipality      |                           |                   |                           |
|-------------------------------|-------------------|---------------------------|-------------------|---------------------------|
| Description                   | 2011<br>R'000     | 2010<br>Restated<br>R'000 | 2011<br>R'000     | 2010<br>Restated<br>R'000 |
| <b>TOTAL ASSETS:</b>          |                   |                           |                   |                           |
| Current assets                | 4,413,449         | 3,982,832                 | 4,424,591         | 3,958,124                 |
| Long-term investments         | 123,851           | 196,665                   | 123,852           | 196,665                   |
| Long-term receivables         | 129,011           | 197,973                   | 129,011           | 197,973                   |
| Leased assets                 | 253,752           | 189,699                   | 253,752           | 189,699                   |
| Property, plant and equipment | 16,157,667        | 14,494,052                | 16,128,082        | 14,467,684                |
|                               | <b>21,077,730</b> | <b>19,061,221</b>         | <b>21,059,288</b> | <b>19,010,145</b>         |
| <b>TOTAL LIABILITIES:</b>     |                   |                           |                   |                           |
| Current liabilities           | 4,873,948         | 4,535,887                 | 4,898,193         | 4,514,357                 |
| Long-term loans               | 5,261,795         | 4,432,870                 | 5,258,067         | 4,428,826                 |
| Non-current provisions        | 205,302           | 156,773                   | 205,302           | 156,773                   |
| Lease liabilities             | 154,721           | 90,782                    | 154,721           | 90,782                    |
| Employment benefit provision  | 1,499,219         | 1,169,261                 | 1,499,219         | 1,169,261                 |
|                               | <b>11,994,985</b> | <b>10,385,573</b>         | <b>12,015,502</b> | <b>10,359,999</b>         |
| Solvency Ratio                | 1.76:1            | 1.84:1                    | 1.75:1            | 1.83:1                    |

The total assets of the Municipality increased with 10.8% (group = 10.6% increase) while the total liabilities increased with 16.0% (group = 15.5% increase) resulting in an increase in the solvability ratio as stated above. Property, plant and equipment increased with 11.5% (group = 11.5% increase) while external loans increased with 18.7% (group = 18.7% increase).

#### 5.4 Total long-term debt to total revenue ratio

According to credit rating companies, the benchmark for local government is a ratio of less than 50%. The ratio increased from 37.93% to 39.65% since 2009/10 for the municipality and from 37.49% to 39.52% for the group. This increase can be ascribed to the fact that the total debt increased with 17.3% in relation to the increase of 12.2% in total revenue for the municipality.

| Group         | Municipality  |                           |               |                           |
|---------------|---------------|---------------------------|---------------|---------------------------|
| Description   | 2011<br>R'000 | 2010<br>Restated<br>R'000 | 2011<br>R'000 | 2010<br>Restated<br>R'000 |
| Total debt    | 6,018,447     | 5,131,800                 | 6,014,403     | 5,126,714                 |
| Total revenue | 15,226,980    | 13,689,664                | 15,167,910    | 13,517,149                |
| Ratio         | 39.52 %       | 37.49 %                   | 39.65 %       | 37.93 %                   |

#### 5.5 Inventory turnover

Inventory turnover is considered a key measure of management efficiency. It is a measure of how often, during the course of a financial year, a company sells and replaces its inventory. As a general rule, a higher ratio for inventory turnover is better, but the standard however varies dramatically from industry to industry. A ratio of 2.5 times per year is considered acceptable for the large municipalities.

|            |                     |
|------------|---------------------|
| June 2011  | 2.86 times per year |
| June 2010: | 2.77 times per year |
| June 2009: | 2.80 times per year |

Although the value of inventory of the municipality increased with R141.7 million for the municipality (group = R113.9 million increase) since 2009/10, the turnover however, only slightly increased to 2.86 times per year. This can be attributed to the fact that the turnover is an average calculated for all inventory items in all stores. The increase in the inventory mainly lies in general stores (R74.6 million for the municipality) and coal inventory at the power stations (R66.5 million). The increase in the stock value in general stores is due to cable needs of the Electricity Department as well as the increase in the cost of material.

#### 5.6 Overdraft (cashbook balance) plus short-term loans to total operating revenue

According to credit rating companies, the benchmark is a ratio of less than 5 %. As shown in the table below the ratio improved due to a decrease in the short-term portion of external loans and the overdrawn cash book balance while the revenue increased with 11.8% since 2009/10 for the municipality.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Report of the Chief Financial Officer

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| Group                                | Municipality |                   |            |                   |
|--------------------------------------|--------------|-------------------|------------|-------------------|
|                                      | 2011         | 2010              | 2011       | 2010              |
| Description                          | R'000        | Restated<br>R'000 | R'000      | Restated<br>R'000 |
| Cash book overdraft                  | -            | 12,979            | -          | 13,979            |
| Short-term portion of external loans | 494,950      | 499,612           | 494,634    | 498,570           |
| Overdraft plus short-term loans      | 494,950      | 512,591           | 494,634    | 511,549           |
| Total operating revenue              | 15,226,980   | 13,689,664        | 15,167,910 | 13,517,149        |
| Ratio                                | 3.25 %       | 3.74 %            | 3.26 %     | 3.78 %            |

### 5.7 Cash to interest coverage

This ratio indicates to what extent a local authority can generate sufficient cash from its normal activities to cover its external interest liabilities. If the ratio is less than 1:1, it may indicate future cash flow problems. The ratio for the past two financial years was as follows:

| Group  | Municipality |                   |           |                   |
|--|--------------|-------------------|-----------|-------------------|
|  | 2011         | 2010              | 2011      | 2010              |
| Description                                    | R'000        | Restated<br>R'000 | R'000     | Restated<br>R'000 |
| Cash generated from operations (Net cash flow) | 1,644,385    | 1,957,135         | 1,610,511 | 1,956,124         |
| Interest paid on external loans                | 603,864      | 602,554           | 602,956   | 600,358           |
| Ratio  | 2.72:1       | 3.25:1            | 2.67:1    | 3.26:1            |

The ratio showed a slight decrease since 2009/10. This could be attributed to the fact that the interest paid on external loans increased with R2.6 million (0.43%) for the municipality and R1.3 million (0.2%) for the group, while the cash generated from operations decreased with 17.7% (group = 15.9% decrease) since 2009/10. The cash generated from operations decreased due to an increase in inventory, an increase in debtors and the lower operating surplus realised during 2010/11 as a result of cash paid to suppliers increasing with 15.3% whereas cash received increased with only 9.9%.

### 5.8 Capital charges (interest and depreciation) to total annual operating revenue

The ratio indicates to what extent the expenditure in respect of interest paid on external loans and depreciation is covered by operating revenue.

| Group                           | Municipality |                   |            |                   |
|---------------------------------|--------------|-------------------|------------|-------------------|
|                                 | 2011         | 2010              | 2011       | 2010              |
| Description                     | R'000        | Restated<br>R'000 | R'000      | Restated<br>R'000 |
| Total operating revenue         | 15,226,980   | 13,689,664        | 15,167,910 | 13,517,149        |
| Interest paid on external loans | 603,864      | 602,554           | 602,956    | 600,358           |
| Depreciation                    | 815,778      | 774,044           | 812,331    | 771,006           |
| Capital charges                 | 1,419,642    | 1,376,598         | 1,415,287  | 1,371,364         |
| Ratio                           | 10.73:1      | 9.94:1            | 10.72:1    | 9.86:1            |

The ratio improved since 2009/10 as the capital charges increased with only R43.9 million (3.2%) for the municipality and R43.0 million (3.1%) for the group, while the operating revenue increased with R1 537.3 million or 11.2% for the group and increased with R1 650.8 million (12.2%) for the municipality..

### 5.9 Debt to cash ratio

The ratio is a yardstick to measure the time (in years) that it will take a local authority to pay off its debt (loans) from cash generated by operating activities. The ratio for the past two financial years was as follows:

| Group                          | Municipality |                   |           |                   |
|--------------------------------|--------------|-------------------|-----------|-------------------|
|                                | 2011         | 2010              | 2011      | 2010              |
| Description                    | R'000        | Restated<br>R'000 | R'000     | Restated<br>R'000 |
| Long-term debt                 | 6,018,447    | 5,131,800         | 6,014,403 | 5,126,714         |
| Cash generated from operations | 1,644,385    | 1,957,135         | 1,610,511 | 1,956,124         |
| Ratio                          | 3.66:1       | 2.62:1            | 3.73:1    | 2.62:1            |

# City of Tshwane Metropolitan Municipality

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## Report of the Chief Financial Officer

The ratio deteriorated as the long-term debt of the municipality increased with R887.6 million (17.3%) while the cash generated from operations decreased with 17.7% since 2009/10. For the group the long-term debt increased with R886.7 million (17.3%) while the cash generated from operations decreased with 15.9% since 2009/10. Based on the ratio, it will now take longer to repay loans.

### 5.10 Financing to capital expenditure ratio

Local authorities normally finance their capital expenditure from external loans. This ratio enables the user to analyse the extent to which external loans are used to finance capital expenditure. A ratio which is smaller than 1:1 is an indication that more cash was spent on infrastructure (capital expenditure) than was borrowed. If this ratio exceeded 1:1 over several years, it indicates that too much funds are obtained externally which may even mean that loans are used to finance operating expenditure. Compared to 2009/10 the Municipality borrowed more than the previous year.

The ratio for the past two financial years is as follows:

| Group   | Municipality |                  |           |                  |
|---|--------------|------------------|-----------|------------------|
|   | 2011         | 2010<br>Restated | 2011      | 2010<br>Restated |
| Description   | R'000        | R'000            | R'000     | R'000            |
| Net Increase/ (Net Decrease) in long-term loans           | 824,333      | 590,840          | 825,306   | 590,427          |
| Net Increase/ (Net Decrease) in finance lease liabilities | 62,383       | (71,933)         | 62,383    | (71,932)         |
|   | 886,716      | 518,907          | 522,931   | 518,495          |
| Cash used in capital expenditure                          | 2,431,018    | 2,155,539        | 2,430,545 | 2,153,670        |
| Ratio   | 0.36:1       | 0.24:1           | 0.22:1    | 0.24:1           |

### 5.11 Repairs and maintenance to annual operating revenue

The ratio indicates to what extent the expenditure in respect of repairs and maintenance are covered by operating revenue.

| Group                    | Municipality |                  |            |                  |
|--------------------------|--------------|------------------|------------|------------------|
|                          | 2011         | 2010<br>Restated | 2011       | 2010<br>Restated |
| Description              | R'000        | R'000            | R'000      | R'000            |
| Annual operating revenue | 15,226,980   | 13,689,664       | 15,167,910 | 13,517,149       |
| Repairs and maintenance  | 1,057,464    | 1,047,199        | 1,040,344  | 1,046,135        |
| Percentage               | 6.94         | 7.65             | 6.86       | 7.74             |

The ratio shows an improvement as a result of the repairs and maintenance decreasing with 0.6% (group = 0.98% increase) while the operating revenue increased with 12.2% (group = 11.2% increase). This means that only 6.86% (group = 6.94%) of repairs and maintenance is covered by operating revenue compared to the 7.74 % of 2009/10 (group = 7.65%).

### 5.12 Net debtors to total annual operating revenue

The ratio indicates to what extent the net outstanding debtors are covered by operating revenue.

| Group                                      | Municipality |                  |            |                  |
|--|--------------|------------------|------------|------------------|
|  | 2011         | 2010<br>Restated | 2011       | 2010<br>Restated |
| Description                                | R'000        | R'000            | R'000      | R'000            |
| Annual operating revenue                   | 15,226,980   | 13,689,664       | 15,167,910 | 13,517,149       |
| Net debtors (after provision for bad debt) | 3,075,081    | 2,889,680        | 3,139,190  | 2,913,428        |
| Percentage                                 | 20.19 %      | 21.11 %          | 20.69 %    | 21.55 %          |

The ratio showed a slight improvement for the Municipality as a result of the net debtors decreasing with only 7.7% while the operating revenue increased with 12.2%. For the group the ratio shows an improvement as the net debtors decreased with only 6.4% while the operating revenue increased with 11.2%.

# **City of Tshwane Metropolitan Municipality**

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## **Report of the Chief Financial Officer**

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### **6. CREDIT RATING (for the Municipality only)**

The firm Moody's Investors Services South Africa (Pty) Ltd performed a credit rating of the Municipality during November 2010 (based on the unaudited annual financial statements for the year ending 30 June 2010). The credit rating indicates that Tshwane's relative position reflected an improved liquidity profile, and debt and debt service levels that were higher than the median of its national peers. However, the City of Tshwane compared favourably with other metropolitan municipalities in South Africa in terms of gross operating balances and management accountability. Moody's rated the City of Tshwane a municipality with a stable financial outlook.

- Long term Debt Rating (maturities of one year or greater): Aa3.za which is defined as a high-grade. An Aa rate is equal to high quality and being subject to very low credit risk.
- Short term Debt Rating (maturities of less than one year): Prime-1.za, which is defined as the highest quality. A high certainty of timely payment is indicated
- Financial outlook: The grading changed from negative to stable: On 30 November 2010, Moody's changed the outlook from negative to stable on the City of Tshwane's Aa3.za rating, reflecting the positive results of the turn-around strategy on the liquidity profile and financial position in general. This showed that the new fiscal discipline was bearing fruit. Specifically in the 2009/10 financial year the City of Tshwane managed its cash flow effectively by means of the optimum utilisation of cash resources for conservative operating and capital expenditure and due cognizance to sustaining sufficient liquidity levels, coupled with improved revenue collection. Moody's commended management's effort to control operating cost and to keep it within the revenue generating capacity. If continued, the fiscal discipline should enable the City of Tshwane to restore sufficient liquidity buffers for defraying critical operating expenses, such as debt service and commercial obligations.

### **7. MUNICIPAL ENTITIES**

#### **7.1 Viable municipal entities**

In the 2010/11 financial year the City of Tshwane had two active municipal entities which were found to be viable and functioning in compliance with the Municipal Finance Management Act and the Local Government Systems Act. These were the following:

- Sandspruit Works Association
- Housing Company Tshwane

#### **7.2 Entities not viable and deregistered or in the process of liquidation**

##### **7.2.1 Deregistered Municipal Entities**

- Tradepoint Pretoria was deregistered on 20 February 2009. Closing down financial statements had been compiled and submitted on 20 November 2009. The matter was finalised during the 2009/10 audit.
- Centurion Community Protection Company (CCPC) was deregistered on 17 April 2009. Closing down financial statements had been compiled and were submitted on 31 August 2010. The matter was finalised during the 2009/10 audit.
- Roodeplaat Temba Water Services Trust was terminated by the Master of the High Court on 24 August 2010. The closing down financial statements were compiled and were submitted on 31 August 2010. The matter was finalised during the 2009/10 audit.
- Civirelo Water: In terms of Council and Board resolutions, Civirelo Water entered into an agreement with the City of Tshwane to transfer all rights and obligations to the City of Tshwane, after which it was disestablished on 30 June 2010. The dissolution and deregistration is underway and will be finalised in the 2010/11 financial year. All assets and liabilities were transferred to City of Tshwane on 1 July 2010 and close down financial statements were submitted to the Office of the Auditor-General on 31 August 2011.

##### **7.2.2 Dormant Municipal Entities**

- Tshwane Centre for Business Information and Support (Cenbis)

The voluntary liquidation of Cenbis was registered by the Registrar of Companies on 26 July 2010. Cenbis is in the final process of voluntary liquidation. Close down financial statements were compiled and submitted on 31 August 2010. The matter was finalised during the 2009/10 audit.

- Tshwane Economic Development Agency (TEDA)

TEDA is dormant and not operational. The City of Tshwane was about to appoint the board of directors of TEDA. The duly compiled financial statements for the financial years 2006/07, 2007/08, 2008/09 was submitted to the Auditor General for auditing on 24 April 2010, and the financial statements for March 2009 to February 2010 were also submitted to the Auditor-General for auditing on 29 April 2010. The financial statements for March 2010 to June 2010 were submitted to the Auditor-General on 30 July 2010.

#### **7.3 Consolidation of municipal entities**

Consistent with the prior three financial years separate consolidated financial statements will be compiled for City of Tshwane and its operational municipal entities, namely:

- Housing Company Tshwane
- Sandspruit Works Association:
- Any other smaller municipal entities which were disestablished and now submitted final financial statements during 2009/10

# **City of Tshwane Metropolitan Municipality**

Annual Consolidated Financial Statements for the year ended 30 June 2011

## **Report of the Chief Financial Officer**

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### **8. CHALLENGES EXPERIENCED BY THE MUNICIPALITY DURING 2009/10**

#### **8.1 CASH FLOW IMPROVEMENT VS RATIO'S**

During the 2009/10 financial year the City of Tshwane implemented various cash flow strategies. To ensure sound financial management and sustainability over the medium to long-term the belt tightening intervention initiatives had to continue in the 2010/11 financial year. These intervention initiatives assisted in the implementation of the City of Tshwane's strategy towards reserves cash backing. The positive effect of these strategies can be seen in the positive cash flow of R721 million during 2009/10 for the municipality compared to low cash and cash equivalents of R172 million from 2008/09. This is also indicated by the improved cash and cash equivalents of R856 million as at 30 June 2011 for the municipality. For the group the cash and cash equivalents improved from R739.6 million to R906.3 million.

Although the cash flow improved, some ratios did not improve accordingly as the cash generated from operations decreased since 2009/10. The cash flow did not have a direct influence on some of the ratios, and the cash flow strategies might take more than one financial year to bear fruit.

#### **8.2 COMPLIANT FIXED ASSET REGISTER**

Although it was still a challenge to produce a compliant and purified asset register in 2010/11, the improvement was huge compared to the previous three financial years. A service provider was appointed (during 2009/10) to assist the City of Tshwane for two years with the Asset Register as well as the Asset Management Unit and the transfer of skills. Verification, review of useful lives, impairment, etc were done during the 2010/11 financial year end.

#### **8.3 MERGER**

The Gauteng Department of Provincial Government gave notice on 30 June 2010, in Provincial Gazette Extraordinary No 128, of the Local Government: Municipal Structures Act (Act 117 of 1998) of a final amendment of the notice establishing the municipal boundaries of the city of Tshwane Metropolitan Municipality. The incorporation of the former Metswedding District Municipality, Nokeng-Tsa-Taemane and Kungwini Local Municipalities into the City of Tshwane will culminate in the greater City of Tshwane being the largest Metropolitan Municipality in South Africa, comprising of an area of 6 368 square kilometre and a population of approximately 2,5 million and the third largest city in the world in terms of area.

The financial affairs of the disestablished municipalities will be taken over by the City of Tshwane with effect from 1 July 2011.

### **9. APPRECIATION**

I am grateful to the Executive Mayor, Members of the Mayoral Committee, Councillors, Office of the City Manager and Strategic Executive Directors for the support they have given me and my personnel during the 2010/11 financial year. A sincere word of appreciation to everybody and in particular the financial staff for the hard work, sacrifices and concentrated efforts during the financial year to enable us to finalise and submit the annual financial statements within the prescribed period of 2 months after year end (i.e. 31 August), as well as the consolidated annual financial statements within the prescribed period of 3 months after year end (i.e. 30 September).

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Andile Dyakala  
CHIEF FINANCIAL OFFICER

**City of Tshwane Metropolitan Municipality**  
Annual Consolidated Financial Statements for the year ended 30 June 2011

**Statement of Financial Position**

| Note(s)   | Group     |                       | Municipality          |                       |
|---|-----------|-----------------------|-----------------------|-----------------------|
|   | 2011<br>R | Restated 2010<br>R    | 2011<br>R             | Restated 2010<br>R    |
| <b>Assets</b>                                       |           |                       |                       |                       |
| <b>Current Assets</b>                               |           |                       |                       |                       |
| Inventories   | 18        | 326,872,767           | 213,011,451           | 324,768,451           |
| Current portion of long-term receivables            | 17        | 102,835,275           | 124,983,630           | 124,983,630           |
| Other debtors                                       | 20        | 514,350,383           | 536,224,978           | 582,895,696           |
| Consumer debtors                                    | 19        | 2,560,730,236         | 2,353,454,821         | 2,556,294,849         |
| Call investment deposits                            | 16        | 496,337,962           | 641,132,411           | 496,337,962           |
| Cash and cash equivalents                           | 22        | 410,094,727           | 111,632,939           | 359,233,479           |
|   |           | <b>4,411,221,350</b>  | <b>3,980,440,230</b>  | <b>4,422,365,712</b>  |
|   |           |                       |                       | <b>3,955,732,640</b>  |
| <b>Non-Current Assets</b>                           |           |                       |                       |                       |
| Investment property                                 | 12        | 419,971,300           | 415,762,519           | 404,180,286           |
| Property, plant and equipment                       | 11        | 15,537,772,361        | 13,971,041,192        | 15,523,977,022        |
| Leased assets                                       | 14        | 253,751,962           | 189,699,335           | 253,751,962           |
| Intangible assets                                   | 13        | 199,924,120           | 107,248,103           | 199,924,120           |
| Investments   | 16        | 123,851,341           | 196,665,005           | 123,851,341           |
| Long-term receivables                               | 17        | 129,010,976           | 197,972,838           | 129,010,976           |
|   |           | <b>16,664,282,060</b> | <b>15,078,388,992</b> | <b>16,634,695,707</b> |
|   |           |                       |                       | <b>15,052,020,365</b> |
| Non-current assets held for sale                    | 15        | <b>2,227,086</b>      | <b>2,392,041</b>      | <b>2,227,086</b>      |
| <b>Total Assets</b>                                 |           | <b>21,077,730,496</b> | <b>19,061,221,263</b> | <b>21,059,288,505</b> |
|   |           |                       |                       | <b>19,010,145,046</b> |
| <b>Liabilities</b>                                  |           |                       |                       |                       |
| <b>Current Liabilities</b>                          |           |                       |                       |                       |
| Long-term liabilities                               | 4         | 494,949,519           | 499,612,430           | 494,634,121           |
| Lease liabilities                                   | 5         | 106,980,596           | 108,536,960           | 106,980,596           |
| Trade and other payables from exchange transactions | 8         | 3,372,136,356         | 3,100,645,274         | 3,405,039,917         |
| VAT payable   | 10        | 146,482,898           | 161,990,243           | 144,462,998           |
| Consumer deposits                                   | 7         | 359,616,961           | 321,806,961           | 356,856,244           |
| Unspent conditional grants and receipts             | 9         | 392,510,660           | 329,318,555           | 390,219,159           |
| Provisions  | 6         | 1,269,998             | 997,981               | -                     |
| Bank overdraft                                      | 22        | -                     | 12,979,239            | -                     |
|   |           | <b>4,873,946,988</b>  | <b>4,535,887,643</b>  | <b>4,898,193,035</b>  |
|   |           |                       |                       | <b>4,514,357,818</b>  |
| <b>Non-Current Liabilities</b>                      |           |                       |                       |                       |
| Long-term liabilities                               | 4         | 5,261,795,691         | 4,432,869,604         | 5,258,066,996         |
| Lease liabilities                                   | 5         | 154,721,024           | 90,781,598            | 154,721,024           |
| Retirement benefit obligation                       | 42        | 1,499,218,899         | 1,169,261,470         | 1,499,218,899         |
| Provisions  | 6         | 205,302,417           | 156,773,388           | 205,302,417           |
|   |           | <b>7,121,038,031</b>  | <b>5,849,686,060</b>  | <b>7,117,309,336</b>  |
| <b>Total Liabilities</b>                            |           | <b>11,994,985,019</b> | <b>10,385,573,703</b> | <b>12,015,502,371</b> |
| <b>Net Assets</b>                                   |           | <b>9,082,745,477</b>  | <b>8,675,647,560</b>  | <b>9,043,786,134</b>  |
| <b>Net Assets</b>                                   |           |                       |                       |                       |
| Accumulated surplus                                 | 41        | 9,082,745,477         | 8,675,647,560         | 9,043,786,134         |
|   |           |                       |                       | <b>8,650,145,404</b>  |

**City of Tshwane Metropolitan Municipality**  
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**Statement of Financial Performance**

| 2011<br>Note(s)                                   | R  | Group                   |                         | Municipality            |                         |
|---|----|-------------------------|-------------------------|-------------------------|-------------------------|
|   |    | Restated 2010<br>R      | 2011<br>R               | Restated 2010<br>R      | 2011<br>R               |
| <b>Revenue</b>                                    |    |                         |                         |                         |                         |
| Property rates                                    | 23 | 2,907,284,048           | 2,699,679,512           | 2,907,386,997           | 2,699,790,195           |
| Service charges                                   | 24 | 8,387,430,103           | 7,085,192,399           | 8,394,076,681           | 7,017,689,187           |
| Rental of facilities and equipment                |    | 101,719,839             | 96,521,635              | 99,546,729              | 94,349,667              |
| Interest received- outstanding consumer debtors   |    | 213,994,778             | 248,531,132             | 195,141,732             | 228,280,276             |
| Public contributions and donations                |    | 119,154,209             | 105,804,290             | 119,154,209             | 105,804,290             |
| Fines   |    | 7,990,659               | 24,951,704              | 7,990,659               | 24,951,704              |
| Licences and permits                              |    | 35,988,659              | 25,261,879              | 35,988,659              | 25,261,879              |
| Government grants & subsidies                     | 25 | 2,513,030,783           | 2,509,453,939           | 2,513,030,783           | 2,504,941,188           |
| Gain: Disestablishment of ME                      |    | 2,716,931               | -                       | 2,716,931               | -                       |
| Other income                                      | 26 | 811,168,866             | 796,683,554             | 772,958,393             | 719,311,727             |
| Interest received - external investments          | 31 | 111,038,461             | 97,583,505              | 110,142,589             | 96,769,021              |
| <b>Total Revenue</b>                              |    | <b>15,211,517,336</b>   | <b>13,689,663,549</b>   | <b>15,158,134,362</b>   | <b>13,517,149,134</b>   |
| <b>Expenditure</b>                                |    |                         |                         |                         |                         |
| Personnel   | 27 | (4,304,325,951)         | (3,572,319,226)         | (4,236,965,765)         | (3,519,361,116)         |
| Remuneration of councillors                       | 28 | (61,711,890)            | (56,053,750)            | (61,711,890)            | (56,053,750)            |
| Depreciation and amortisation                     | 29 | (815,777,680)           | (774,044,066)           | (812,330,871)           | (771,006,230)           |
| Impairment loss/ Reversal of impairments          |    | (490,306)               | (22,025,456)            | (490,306)               | (22,025,456)            |
| Finance costs                                     | 30 | (603,863,842)           | (602,553,770)           | (602,956,403)           | (600,357,772)           |
| Debt impairment                                   | 32 | (709,796,272)           | (1,077,083,391)         | (639,687,334)           | (1,014,557,168)         |
| Collection costs                                  |    | (84,779,034)            | (87,968,669)            | (84,779,034)            | (87,968,669)            |
| Repairs and maintenance                           |    | (1,057,463,847)         | (1,047,198,687)         | (1,040,344,500)         | (1,046,134,997)         |
| Bulk purchases                                    | 33 | (4,485,501,342)         | (3,662,212,722)         | (4,562,399,704)         | (3,641,863,033)         |
| Grants and subsidies paid                         | 34 | (27,625,621)            | (12,544,162)            | (27,625,621)            | (12,544,162)            |
| General Expenses                                  | 35 | (2,668,546,275)         | (2,278,263,706)         | (2,704,480,025)         | (2,278,868,597)         |
| <b>Total Expenditure</b>                          |    | <b>(14,819,882,060)</b> | <b>(13,192,267,605)</b> | <b>(14,773,771,453)</b> | <b>(13,050,740,950)</b> |
| Gain (loss) on disposal of assets and liabilities |    | 9,770,203               | (3,136,698)             | 9,776,391               | (3,127,136)             |
| Fair value adjustments                            |    | 5,692,441               | (3,371,166)             | (498,573)               | (3,371,166)             |
| <b>Surplus for the year</b>                       |    | <b>407,097,920</b>      | <b>490,888,080</b>      | <b>393,640,727</b>      | <b>459,909,882</b>      |

# City of Tshwane Metropolitan Municipality

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## Statement of Changes in Net Assets

|  | Accumulated<br>surplus<br>R | Total net assets<br>R |
|--|-----------------------------|-----------------------|
| <b>Group</b>                               |                             |                       |
| Opening balance as previously reported     | 8,216,395,166               | 8,216,395,166         |
| Adjustments                                | <u>(31,635,686)</u>         | <u>(31,635,686)</u>   |
| Prior year adjustments                     | <u>(31,635,686)</u>         | <u>(31,635,686)</u>   |
| <b>Balance at 01 July 2009 as restated</b> | <b>8,184,759,480</b>        | <b>8,184,759,480</b>  |
| Changes in net assets                      | <u>490,888,080</u>          | <u>490,888,080</u>    |
| Surplus for the year                       | <u>490,888,080</u>          | <u>490,888,080</u>    |
| Total changes                              | <u>490,888,080</u>          | <u>490,888,080</u>    |
| <b>Balance at 01 July 2010</b>             | <b>8,675,647,557</b>        | <b>8,675,647,557</b>  |
| Changes in net assets                      | <u>407,097,920</u>          | <u>407,097,920</u>    |
| Surplus for the year                       | <u>407,097,920</u>          | <u>407,097,920</u>    |
| Total changes                              | <u>407,097,920</u>          | <u>407,097,920</u>    |
| <b>Balance at 30 June 2011</b>             | <b>9,082,745,477</b>        | <b>9,082,745,477</b>  |
| Note(s)                                    | 41                          |                       |
| <b>Municipality</b>                        |                             |                       |
| Opening balance as previously reported     | 8,221,871,206               | 8,221,871,206         |
| Adjustments                                | <u>(31,635,684)</u>         | <u>(31,635,684)</u>   |
| Prior year adjustments                     | <u>(31,635,684)</u>         | <u>(31,635,684)</u>   |
| <b>Balance at 01 July 2009 as restated</b> | <b>8,190,235,522</b>        | <b>8,190,235,522</b>  |
| Changes in net assets                      | <u>459,909,882</u>          | <u>459,909,882</u>    |
| Surplus for the year                       | <u>459,909,882</u>          | <u>459,909,882</u>    |
| Total changes                              | <u>459,909,882</u>          | <u>459,909,882</u>    |
| <b>Balance at 01 July 2010</b>             | <b>8,650,145,407</b>        | <b>8,650,145,407</b>  |
| Changes in net assets                      | <u>393,640,727</u>          | <u>393,640,727</u>    |
| Surplus for the year                       | <u>393,640,727</u>          | <u>393,640,727</u>    |
| Total changes                              | <u>393,640,727</u>          | <u>393,640,727</u>    |
| <b>Balance at 30 June 2011</b>             | <b>9,043,786,134</b>        | <b>9,043,786,134</b>  |
| Note(s)                                    | 41                          |                       |

**City of Tshwane Metropolitan Municipality**  
Annual Consolidated Financial Statements for the year ended 30 June 2011

## Cash Flow Statement

|   | Group           | Municipality            |                         |                         |                         |
|---|-----------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | 2011<br>Note(s) | R                       | Restated 2010<br>R      | 2011<br>R               | Restated 2010<br>R      |
| <b>Cash flows from operating activities</b>                 |                 |                         |                         |                         |                         |
| <b>Receipts</b>   |                 |                         |                         |                         |                         |
| Cash receipts from rate payers, government and other        |                 | 14,252,966,543          | 12,964,585,841          | 14,230,798,684          | 12,793,681,675          |
| Interest income   |                 | 111,038,461             | 97,583,505              | 110,142,589             | 96,769,021              |
|   |                 | <u>14,364,005,004</u>   | <u>13,062,169,346</u>   | <u>14,340,941,273</u>   | <u>12,890,450,696</u>   |
| <b>Payments</b>   |                 |                         |                         |                         |                         |
| Cash paid to suppliers and employees                        |                 | (12,115,755,712)        | (10,502,480,383)        | (12,127,473,693)        | (10,333,968,697)        |
| Finance costs (Interest paid)                               |                 | (603,863,842)           | (602,553,770)           | (602,956,403)           | (600,357,772)           |
|   |                 | <u>(12,719,619,554)</u> | <u>(11,105,034,153)</u> | <u>(12,730,430,096)</u> | <u>(10,934,326,469)</u> |
| <b>Net cash flows from operating activities</b>             | <b>36</b>       | <b>1,644,385,450</b>    | <b>1,957,135,193</b>    | <b>1,610,511,177</b>    | <b>1,956,124,227</b>    |
| <b>Cash flows from investing activities</b>                 |                 |                         |                         |                         |                         |
| Purchase of property, plant and equipment                   | 11              | (2,340,599,098)         | (2,155,045,177)         | (2,340,125,571)         | (2,153,186,407)         |
| Purchase of leased assets                                   | 14              | (107,061,505)           | (29,199,505)            | (107,061,505)           | (29,199,505)            |
| Proceeds from sale of property, plant and equipment         | 11              | 9,770,203               | (3,136,698)             | 9,776,391               | (3,127,136)             |
| Purchase of other intangible assets                         | 13              | (90,418,591)            | (483,999)               | (90,418,591)            | (483,999)               |
| Proceeds from sale of financial assets                      |                 | 163,923,881             | 260,904,494             | 163,923,881             | 260,904,494             |
| <b>Net cash flows from investing activities</b>             |                 | <u>(2,364,385,110)</u>  | <u>(1,926,960,885)</u>  | <u>(2,363,905,395)</u>  | <u>(1,925,092,553)</u>  |
| <b>Cash flows from financing activities</b>                 |                 |                         |                         |                         |                         |
| Proceeds from long-term liabilities                         |                 | 1,361,000,000           | 720,000,000             | 1,361,000,000           | 720,000,000             |
| Repayment of long-term liabilities                          |                 | (536,736,824)           | (129,160,213)           | (535,693,935)           | (129,573,163)           |
| Finance lease payments                                      |                 | 62,383,062              | (71,932,605)            | 62,383,062              | (71,932,605)            |
| <b>Net cash flows from financing activities</b>             |                 | <u>886,646,238</u>      | <u>518,907,182</u>      | <u>887,689,127</u>      | <u>518,494,232</u>      |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |                 | <b>166,646,578</b>      | <b>549,081,490</b>      | <b>134,294,909</b>      | <b>549,525,906</b>      |
| Cash and cash equivalents at the beginning of the year      |                 | 739,786,111             | 190,704,621             | 721,276,532             | 171,750,626             |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>22</b>       | <b>906,432,689</b>      | <b>739,786,111</b>      | <b>855,571,441</b>      | <b>721,276,532</b>      |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1. Basis of Preparation of Annual Financial Statements

The annual consolidated financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 122(3) of the Municipal Finance Management Act, 2003 (Act 56 of 2003). The reporting framework is as prescribed by the Accounting Standards Board in Directive 5.

These annual consolidated financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

#### 1.1 Consolidation

##### Basis of consolidation

Investments in associates, subsidiaries and joint ventures are carried at cost in the annual financial statements of the Municipality. Separate consolidated financial statements are prepared to account for the Municipality's share of the net assets and post-acquisition results of these investments.

#### 1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality and are rounded to the nearest Rand.

#### 1.3 Going concern assumption

These annual financial statements have been prepared on a going concern basis, i.e. the assumption that the Municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.4 Property, plant and equipment

Property, plant and equipment are stated at:

- \* historical cost less accumulated depreciation and any write-downs, or
- \* where assets have been acquired by grant or donation the cost is considered to be the fair value of the asset at date of acquisition.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The useful lives of items of property, plant and equipment were assessed as follows:

| Asset category                    | Average useful life (Years) |
|-----------------------------------|-----------------------------|
| Infrastructure                    |                             |
| • Roads and paving                | 30                          |
| • Pedestrian malls                | 30                          |
| • Electricity                     | 20-30                       |
| • Water                           | 15-20                       |
| • Sewerage                        | 15-20                       |
| • Housing                         | 30                          |
| Community                         |                             |
| • Buildings                       | 30                          |
| • Recreational facilities         | 20-30                       |
| • Security                        | 5                           |
| Other                             |                             |
| • Buildings                       | 30                          |
| • Specialist vehicles             | 8-20                        |
| • Other vehicles                  | 8                           |
| • Office equipment                | 5-8                         |
| • Furniture and fittings          | 7-10                        |
| • Watercraft                      | 5                           |
| • Bins and containers             | 5                           |
| • Specialized plant and equipment | 10-15                       |
| • Other plant and equipment       | 2-5                         |
| • Landfill sites and quarries     | 1-50                        |
| • Books                           | 5 - 20                      |
| • Leased assets                   | 3-5                         |

# **City of Tshwane Metropolitan Municipality**

Annual Consolidated Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

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### **1.4 Property, plant and equipment (continued)**

#### **Subsequent expenditure:**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset will flow to the municipality. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets are measured at its fair value. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

The difference between the depreciation based on the revalued carrying amount of the asset charged to the Statement of Financial Performance and the depreciation based on the asset's original cost is transferred from other reserves to the accumulated surplus/(deficit).

#### **Depreciation:**

Depreciation is recognised on a straight line basis over the estimated useful life of the asset to its residual value from the day that the asset is ready for use.

Residual value is what the asset would currently receive if in the condition it would be at the end of its useful life. The asset's residual values and useful lives are reviewed and adjusted if appropriate at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance. The actual useful lives of the assets, residual values and depreciation method are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance program are taken into account.

#### **Impairment of property, plant and equipment**

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount) it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### **Disposal of property, plant and equipment**

The gain or loss on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset on the date of disposal and is recognised in the Statement of Financial Performance.

#### **Heritage assets**

Heritage assets are assets held for their cultural, environmental or historical significance. Heritage assets are initially recognised at cost and where heritage assets were received as donation or acquired at nominal value, the cost is recorded as nil. Heritage assets are not depreciated as they are regarded as having an infinite useful life. Improvements to heritage assets are considered as sub-assets and the useful life of the improvements is determined with reference to the depreciation charge of the relevant property, plant and equipment category.

#### **Land**

Land is not depreciated as it is deemed to have an indefinite useful life.

#### **Incomplete construction work (Assets under construction)**

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

### **1.5 Investment property**

Investment property, is property held to earn rental revenue or for capital appreciation or both.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the group, and the cost or fair value of the investment property can be measured reliably.

Investment property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.6 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the group; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Software is amortised on a straight-line basis over its anticipated useful life. Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the municipality or municipal entity and have an probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

### 1.7 Biological assets

Biological assets are measured at their fair value less point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset is included in surplus or deficit for the period in which it arises. A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

### 1.8 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.9 Inventories

Consumable stores, raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

Land held for development, including land in the course of development until legal completion of the sale of the asset, is initially recorded at cost. Where, through deferred purchase credit terms, cost differs from the nominal amount which will actually be paid in settling the deferred purchase terms liability, no adjustment is made to the cost of the land, the difference being charged as a finance cost.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to the development.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.10 Internal reserves

#### Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment amounts are transferred from the statement of financial performance to the Capital replacement reserve in terms of the implementation guidelines on GRAP. These transfers from the net surplus may only be made if they are backed by cash. The amount transferred to the CRR is based on the Municipality's need to finance future capital projects included in the Integrated Development Plan. The following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the Municipality.
- Interest earned on the CRR investment is recorded as part of total interest earned in the statement of financial performance.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR an amount equal to the cost price of the asset purchased is transferred from the CRR into a future depreciation reserved called the Capitalisation reserve (CR). This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the CRR. The Capitalisation reserve is used to offset depreciation charged on assets purchased out of the CRR to avoid double taxation of the consumers.
- If a gain is made on the sale of assets previously purchased out of the CRR the gain on these assets sold is reflected in the statement of financial performance.

#### Capitalisation reserve

On the implementation of GAMAP/GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

#### Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

#### Self insurance reserve

A Self Insurance Reserve has been established and, subject to external insurance where deemed necessary, covers claims that may occur. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to the reserve in line with the amount provided for in the operating budget.

- The total amount of insurance premiums paid to external insurers are regarded as expenses and must be shown as such in the statement of financial performance. These premiums do not affect the Self insurance reserve.
- Claims received from external insurers are utilised in the calculation of a profit or loss on the scrapping of damaged assets and are therefore effectively recorded in the statement of financial performance.
- Claims received to meet repairs of damages on assets are reflected as income in the statement of financial performance.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.10 Internal reserves (continued)

The Self insurance reserve is based on recognised insurance industry principles. In determining the level of capacity required an agreed methodology has been adopted. The calculation of the required capacity of the Self insurance reserve is consistently applied annually based on the following methodology:

- Determination of the forecast surplus (free) capacity within the Self insurance reserve
- The following liabilities are taken into account in determining this surplus capacity:
  - Reported known outstanding claims;
  - Statistically forecast losses for the remainder of the underwriting period (IBNR = claims incurred but not yet reported)
  - Probability and quantification of a catastrophe loss
  - Comparison of the surplus (free) capacity to the declared value of the highest service delivery asset to determine the shortfall that exist based on the assumption that sufficient capacity will be built up to cover that asset through the Self insurance reserve over an agreed period of time.
  - Spread the shortfall over a 5-year period (in terms of the Long Term Insurance Strategy)
  - Adjust for inflation with the agreed relevant indices.
  - Determine the annual premium contribution to reach the target capacity over a 5-year period.
  - Apply a probability and affordability factor to the ideal premium contribution to determine the budged premium contribution over a 5-year period.

#### Compensation for occupational injuries and diseases (COID) reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of this exemption the Municipality has established a COID reserve to offset claims from employees. Amounts are transferred to the COID reserve from the accumulated surplus based on the statutory rate of contributions set out in the Compensation for Occupational Injuries and Diseases Act, 1993 (Act 130 of 1993) as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Contributions to the COID reserve is based on 1% of the annual remuneration of employees that qualify for COID benefits. All employees earning more than R239 172 per annum are reinsured by what is called a "COID Wrap Around" policy. Claims are paid as determined by the Compensation Commissioner and are reflected in the statement of financial performance. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus in the Statement of Changes in Net Assets.

#### Donations and public contributions reserve

Revenue received from donations and public contributions may be transferred to the Capital replacement reserve (CRR) and utilised via the CRR to finance items of property, plant and equipment.

### 1.11 Housing development fund

Section 15(5) and 16 of the Housing Act (Act 107 of 1997) , which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund. The Housing Act also requires in terms of Section 14(4)(d)(iii)(aa) read with, inter alia, Section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing. Loans from national and provincial government used to finance housing selling schemes were extinguished on 1 April 1998 and transferred to the Housing Development fund. The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development fund has its own separate bank account/allocated investments and is backed by cash.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments backing up this fund is recorded as part of interest earned in the Statement of Financial Performance and can be transferred via the Statement of Changes in Net Assets to the Housing Development Fund.
- Any cash backed surplus or deficit on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

### 1.12 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole; a provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

# **City of Tshwane Metropolitan Municipality**

Annual Consolidated Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

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### **1.12 Provisions and contingencies (continued)**

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be incurred to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 53.

- **Clearing of alien vegetation**

In terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that exist.

- **Cleaning up of illegal dumping**

Currently the Municipality is cleaning up illegal dumping on an ongoing basis as part of maintenance; therefore there is no backlog cleaning that needs to take place. No provision is currently made for the cleaning up of illegal dumping.

- **Landfill sites**

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. A provision has been established from 2007/08. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

- **Quarries**

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002), Section 52(2)(d), the City of Tshwane is required to rehabilitate its quarries and borrow pits after these quarries and borrow pits have been closed. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

### **1.13 Retirement benefits**

#### **Pension, Provident and Retirement Funds**

The Municipality and its employees contribute to various pension, provident and retirement funds and its councillors contribute to the Pension Fund for Municipal Councillors. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds on a regular basis as per the requirements of the various funds.

Current contributions are charged against the operating account of the Municipality at a percentage of the basic salary paid to employees, or allowances in the case of councillors. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred.

The Tshwane Pension fund is a defined benefit plan. The cost of providing these benefits is determined on the Projected Unit Credit Method prescribed by IAS 19 and actuarial valuations are performed at each reporting date. The retirement benefit obligation presented in the statement of financial position presents the sum of the present value of the obligation less the fair value of plan assets plus/minus any balance of unrecognised actuarial gains or losses, minus any balance of unrecognised past service cost.

Multi-employer funds are treated as defined contribution funds, due to the nature of these funds and the fact that the assets are not specifically associated to meet the obligation in respect of individual employers in terms of paragraph 30 of IAS 19.

#### **Medical Aid: Continued members**

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality.

According to the rules of the medical aid funds, with which the Municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The cost of providing these benefits is determined on the Projected Unit Credit Method prescribed by IAS 19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime. No plan assets exist and any actuarial gains and losses are recognised immediately.

### **1.14 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

# **City of Tshwane Metropolitan Municipality**

Annual Consolidated Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

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### **1.14 Leases (continued)**

#### **Finance leases - lessor**

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

#### **Finance leases - lessee**

The City of Tshwane leases certain property, plant and equipment. Leases of property, plant and equipment where the City of Tshwane assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. The Municipality will not incur a foreign currency lease liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).

#### **Operating leases - lessor**

When assets are leased out under an operating lease, the asset is included in the Statement of Financial Position based on the nature of the asset.

#### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating leases are those leases which do not fall within the scope of the above definition of finance leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

### **1.15 Financial instruments**

#### **Classification**

The group classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Interest bearing borrowings

Classification depends on the purpose for which the financial instruments were obtained / incurred and management determines the classification at initial recognition. With regard to reclassifications, the entity shall not reclassify a financial instrument into or out of the fair value through profit or loss category while it is held or issued.

#### **Counter party exposure:**

The City of Tshwane limits its counter party exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The credit ratings of these institutions are reviewed quarterly and investments are spread across different types of approved investments and institutions.

#### **Impairment of financial assets**

At each end of the reporting period the group assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. Impairment losses recognised in the Statement of Financial Performance on equity instruments are not reversed through the Statement of Financial Performance.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write-off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.15 Financial instruments (continued)

#### Financial instruments designated as available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the reporting date.

Regular purchase and sales of financial assets are recognised on the trade date - the date on which the City of Tshwane commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the Statement of Financial Performance.

#### Trade and other receivables

Trade receivables are initially recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue). The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Short-term receivables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation. It is common practice for municipalities to allow consumers a period of time, after issuing an invoice, to settle for example, their water and electricity accounts. Specific legislation may also prescribe credit terms for specific types of transactions or entities, which provide an indication of what appropriate credit terms are for certain transactions and events. Where the initial credit period granted is not in line with practices or legislation in the public sector, the effect of discounting is considered if it is material.

The carrying amount of the asset is reduced through the use of a provision for bad debt account and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the provision for bad debt account for trade receivables after obtaining Council approval for the write-off. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Amounts with regard to arrangement of consumer debtors are classified as long-term receivables.

#### Provision for Doubtful Debt

Provision for doubtful debt is made by means of an annual contribution of rates, sanitation, sewerage, electricity and water levies, debtor's revenue from Fire Brigade Services, Ambulance Services sales, Wonderboom Airport and Rentals excluding the Tshwane Market. The percentage contribution is calculated during the budget process each year.

The annual contribution is determined by calculating the estimated non-payment (recovery rate) by debtors for the financial year.

#### Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Liabilities for annual leave (accrued leave pay) are recognised as they accrue to employees. Provision is based on the potential liability (value of leave credits as at 30 June) of the Municipality.

Payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation. It is common practice to allow municipalities a period of time, after issuing an invoice, to settle their accounts. Specific legislation may also prescribe credit terms for specific types of transactions or entities, which provide an indication of what appropriate credit terms are for certain transactions and events. Where the initial credit period granted is not in line with practices or legislation in the public sector, the effect of discounting is considered if it is material.

#### Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

# **City of Tshwane Metropolitan Municipality**

Annual Consolidated Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

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### **1.15 Financial instruments (continued)**

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at face value.

#### **Bank overdraft and borrowings**

Bank overdrafts and interest bearing borrowings are initially measured at fair value, net of transaction costs incurred. It should also be added that interest bearing borrowings are classified as non-current and current liabilities. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest rate method.

Interest bearing borrowings are classified as non-current and current liabilities unless the municipality has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The interest risk is managed by maintaining an appropriate mix between fixed and variable rate borrowings.

#### **Derivatives**

Derivative financial instruments, principally interest rate swap contracts, are used by the City of Tshwane in its management of financial risks. Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

Payments and receipts under interest rate swap contracts are recognised in the Statement of Financial Performance on a basis consistent with the corresponding fluctuations in the interest payment on floating rate financial liabilities. The carrying amounts of interest rate swaps, which comprise net interest receivables and payables accrued are included in assets and liabilities respectively.

#### **Held to maturity**

Held to maturity (HTM) investments are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity. These investments have been normally encumbered and therefore must be held to maturity. The value of the investments is recorded at trade date.

HTM financial instruments originated by the municipality and not held for trading is subsequently recognised at amortised cost using the effective interest rate method. Amortised cost is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount and minus any write-down for impairment of uncollectability.

#### **Hedging activities**

Hedging is not applicable to the accounting treatment of financial instruments in the City of Tshwane.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The City of Tshwane's loans and receivables comprise "trade receivables and other receivables" and cash and cash equivalents.

#### **Offsetting of financial assets and liabilities**

A financial asset and a financial liability are only offset and the net amount presented in the Statement of Financial Position when and only when:

- (a) The City of Tshwane has a legally enforceable right to set off the recognised amount; and
- (b) The City of Tshwane intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the City of Tshwane will not offset the transferred asset and the associated liability.

#### **Disposal and derecognition**

##### **Disposal:**

On disposal of an investment the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of financial performance.

# **City of Tshwane Metropolitan Municipality**

Annual Consolidated Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

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### **1.15 Financial instruments (continued)**

#### **Derecognition:**

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the municipality has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

### **1.16 Translation of foreign currencies**

#### **Foreign currency transactions**

Foreign currency transactions are translated into the functional currency of the Municipality (i.e. SA Rand) using the rate of exchange prevailing on the date of the transaction. Trade creditors denominated in foreign currency are reported at the Statement of Financial Position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expense in the period in which they arise.

Where a transaction is covered by a forward exchange contract, the rate specified in the contract is used. The Municipality will not incur a foreign currency liability other than that allowed by the Municipal Finance Management Act, 2003 (Act 56 of 2003).

### **1.17 Revenue from exchange transactions**

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

The percentage of completion method is utilised to recognise revenue on long-term contracts. Management exercises judgement in calculating the deferred revenue reserve which is based on the anticipated cost of repairs over the life cycle of the equipment applied to the total expected revenue arising from maintenance and repair contracts.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable for the supply of services in the ordinary course of activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

#### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the group;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

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### **1.17 Revenue from exchange transactions (continued)**

#### **Service charges**

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognized as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

#### **Services provided on a prepayment basis**

Various services are provided on a pre-payment basis in which case no formal billing takes place and income is accrued when received. Revenue is recognised at point of sale.

#### **Income from agency services**

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

#### **Housing rental and instalments**

Income in respect of housing rental and instalments are accrued monthly in advance. Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

#### **Collection charges**

Collection charges are recognised when such amounts are incurred.

#### **Interest, royalties and dividends**

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on the investments. Interest earned on outstanding debtors is recognised on a time proportionate basis.

#### **Fines**

From 1 July 2008 the City of Tshwane was part of the pilot project of the new AARTO fines and act as an issuing authority. The new revenue from traffic fines is recognised on an agency basis.

### **1.18 Revenue from non-exchange transactions**

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Rates, including collection charges and penalties interest**

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Revenue from rates are recognised when the legal entitlement to this revenue arises. A site rating system is applied.

# **City of Tshwane Metropolitan Municipality**

Annual Consolidated Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

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In terms of this system assessment rates are levied on the land value of property and rebates are granted subject to certain conditions. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers.

### **1.19 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.20 Borrowing costs**

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.21 Value added tax**

The Municipality accounts for Value Added Tax on the cash basis.

### **1.22 Segmental information**

The principle segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes. The secondary basis classifies all operations based on the classification of income and expenditure.

Segmental information on property, plant and equipment, as well as income and expenditure is set out the Appendices consistent with prior year.

### **1.23 Grants-in aid (Expense)**

The Municipality annually awards grants to individuals and organisations based on merit. When making these transfers, the Municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

### **1.24 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.25 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act 56 of 2003), the Municipal Systems Act, 2000 (Act 32 of 2000), the Public Office Bearers Act, 1993 (Act 20 of 1998) or in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.26 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

# **City of Tshwane Metropolitan Municipality**

Annual Consolidated Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

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### **1.27 Comparative figures**

#### **Prior year comparatives**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current financial year the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

The comparative figures (accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the implementation of the new GRAP standards.

### **1.28 Tax**

The City of Tshwane Metropolitan Municipality is exempt from tax in terms of section 10(1)(c)B(i)(ff) of the Income Tax Act.

### **1.29 Significant judgements and sources of estimation uncertainty**

The preparation of these financial statements in conformity with GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the City of Tshwane's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to the financial statements where applicable.

#### **Trade receivables / Held to maturity investments and/or loans and receivables**

The group assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

#### **Available-for-sale financial assets**

The group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

#### **Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

#### **Impairment testing**

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 6 - Provisions.

#### **Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

# City of Tshwane Metropolitan Municipality

## Annual Consolidated Financial Statements for the year ended 30 June 2011

### Accounting Policies

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#### 1.29 Significant judgements and sources of estimation uncertainty (continued)

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 42.

##### Effective interest rate

The municipality used the weighted average interest rate on external borrowings to discount future cash flows.

##### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured at the reporting date taking into account the different classes of debtors and the history of payment success of debtors.

#### 1.30 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements. Refer to note 60.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

| Group | Municipality |
|-------|--------------|
|-------|--------------|

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The group has not applied the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2011 or later periods:

##### GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the group. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the group's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions in the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 1 April 2013.

The group expects to adopt the standard for the first time in the 2014 annual consolidated financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual consolidated financial statements.

##### GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the group.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 1 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual consolidated financial statements.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

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### 2. New standards and interpretations (continued)

#### GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the group is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual consolidated financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual consolidated financial statements. Where the budget and annual consolidated financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual consolidated financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual consolidated financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 1 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual consolidated financial statements.

#### GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will flow to the group; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

**City of Tshwane Metropolitan Municipality**  
 Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

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### 2. New standards and interpretations (continued)

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 1 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual consolidated financial statements.

### GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

A group assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

A group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 1 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

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### 2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual consolidated financial statements.

#### GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by a group with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, a group estimates the recoverable amount of the asset. When estimating the value in use of an asset, a group estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a group applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, a group determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

A group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, a group estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 1 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual consolidated financial statements.

**City of Tshwane Metropolitan Municipality**  
 Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

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### 2. New standards and interpretations (continued)

#### GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an group to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an group consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by a group in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which a group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programs) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the group that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an group provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programs established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
- All short-term employee benefits;
- Short-term compensated absences;
- Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programs;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

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### 2. New standards and interpretations (continued)

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 1 April 2013.

The group expects to adopt the standard for the first time in the 2014 annual consolidated financial statements. It is unlikely that the standard will have a material impact on the municipality's annual consolidated financial statements.

### GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that result in a financial asset in one group and a financial liability or residual interest in another group. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an group to a portion of another group's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a group considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an group subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another group on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. A group measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

**City of Tshwane Metropolitan Municipality**  
 Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

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### 2. New standards and interpretations (continued)

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. A group is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a group can however designate such an instrument to be measured at fair value.

A group can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once a group has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, a group has transferred control of the asset to another group.

A group derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where a group modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A group cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for a group's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a group is exposed to as a result of its annual consolidated financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. A group is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 1 April 2012.

The group expects to adopt the standard for the first time in the 2013 annual consolidated financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual consolidated financial statements.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

### 3. Housing development fund

|                                  |                    |                    |                    |                    |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Unappropriated surplus           | 161,955,652        | 197,856,183        | 197,857,941        | 197,856,183        |
| Loans extinguished by Government | 69,006,463         | 69,006,463         | 69,006,463         | 69,006,463         |
| Housing development fund         | <u>128,851,478</u> | <u>128,849,720</u> | <u>128,851,478</u> | <u>128,849,720</u> |

The housing development fund is represented by the following assets and liabilities

|                                 |                    |                    |                    |                    |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| Housing selling scheme loans    | 20,752,130         | 59,849,149         | 20,752,130         | 59,849,149         |
| Housing debtors                 | 26,963,074         | 22,659,334         | 26,963,074         | 22,659,334         |
| Bank and cash                   | 81,136,274         | 46,341,237         | 81,136,274         | 46,341,237         |
| Housing Development Fund Assets | <u>128,851,478</u> | <u>128,849,720</u> | <u>128,851,478</u> | <u>128,849,720</u> |

### 4. Long-term liabilities

#### Summary of Long Term Borrowings:

|                        |                      |                      |                      |                      |
|------------------------|----------------------|----------------------|----------------------|----------------------|
| Term loan              | 361,755,853          | 491,070,172          | 358,028,158          | 487,026,936          |
| Local registered stock | 97,274,513           | 279,088,890          | 97,273,513           | 279,087,890          |
| Annuity loans          | 5,297,399,446        | 4,161,280,226        | 5,297,399,446        | 4,161,280,226        |
|                        | <u>5,756,429,812</u> | <u>4,931,439,288</u> | <u>5,752,701,117</u> | <u>4,927,395,052</u> |

#### Held at amortised cost

##### Term loan

|                      |             |             |             |             |
|----------------------|-------------|-------------|-------------|-------------|
| ABSA Bank Ltd (1-01) | 227,950,578 | 227,949,356 | 227,950,578 | 227,949,356 |
|----------------------|-------------|-------------|-------------|-------------|

Secured structured 15 year loan, fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 31 Oct 2011. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.

Development Bank of South Africa (1-02) Secured 20 year bullet loan, Jibar floating rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 31 Oct 2019. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.

##### ABSA Bank Ltd (1-04)

Secured 10 year bullet loan, Variable interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 30 June 2011. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.

##### INCA (1-05)

Secured 11 year bullet loan, fixed interest rate repayable semi-annually, capital redeemed at 30 June 2011 with sinking fund investment which matured on 30 June 2011.

##### Development Bank of South Africa (1-400)

Secured 20 year bullet loan, fixed interest rate repayable semi-annually, while capital will be redeemed by way of a bullet repayment on the final redemption date 30 Sept 2018. Sinking fund investment have been made for the purpose of providing for the capital repayment at the date of redemption.

|  |            |            |            |            |
|--|------------|------------|------------|------------|
|  | 78,331,528 | 78,331,528 | 78,331,528 | 78,331,528 |
|--|------------|------------|------------|------------|

|  |   |            |   |            |
|--|---|------------|---|------------|
|  | - | 84,000,000 | - | 84,000,000 |
|--|---|------------|---|------------|

|  |   |            |   |            |
|--|---|------------|---|------------|
|  | - | 45,000,000 | - | 45,000,000 |
|--|---|------------|---|------------|

|  |            |            |            |            |
|--|------------|------------|------------|------------|
|  | 51,746,052 | 51,746,052 | 51,746,052 | 51,746,052 |
|--|------------|------------|------------|------------|

## City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

### Notes to the Annual Consolidated Financial Statements

|  | Group         |                    | Municipality  |                    |
|--|---------------|--------------------|---------------|--------------------|
|  | 2011<br>R     | Restated 2010<br>R | 2011<br>R     | Restated 2010<br>R |
| <b>4. Long-term liabilities (continued)</b>  |               |                    |               |                    |
| Gauteng Partnership Fund (Housing Company Tshwane)   | 293,000       | 293,000            | -             | -                  |
| This loan is unsecured, interest free and has no fixed term of repayments.   |               |                    |               |                    |
| National Housing Finance Corporation (Housing Company Tshwane)   | 3,434,695     | 3,750,236          | -             | -                  |
| This loan is secured, bears interest at 14% per annum and is repayable in 153 monthly instalments of R69 792,33. The loan is secured by a mortgage bond over Eloff building which has a fair value of R15 335 631. |               |                    |               |                    |
| Local registered stock   |               |                    |               |                    |
| First Rand Bank Ltd 1  | -             | 182,484,221        | -             | 182,484,221        |
| Secured bond paying fixed interest semi-annually. As security sinking fund investments were made which together with interest capitalised, will be utilised to redeem the loans on 30 June 2011                    |               |                    |               |                    |
| First Rand Bank Ltd 2  | 97,267,701    | 96,597,856         | 97,267,701    | 96,597,856         |
| Secured bond paying fixed interest semi-annually. As security sinking fund investments were made which together with interest capitalised, will be utilised to redeem on 30 June 2014                              |               |                    |               |                    |
| Development Bank of South Africa (1-1250)  | 5,812         | 5,813              | 5,812         | 5,813              |
| Unsecured bond paying fixed interest semi-annually.  |               |                    |               |                    |
| TEDA Municipal Entity Shares   | 1,000         | 1,000              | -             | -                  |
| Share capital in municipal entity  |               |                    |               |                    |
| Annuity loans  |               |                    |               |                    |
| Standard Bank (1-1300)   | 1,000,000,000 | -                  | 1,000,000,000 | -                  |
| Unsecured variable interest rate 15 year loan repayable semi-annually instalments of interest and capital with interest payable on reducing balance until capital is paid off on 29 June 2026.                     |               |                    |               |                    |
| Development Bank of South Africa (1-1250)  | 354,740,557   | -                  | 354,740,557   | -                  |
| Unsecured variable interest rate 15 year loan repayable semi-annually instalments of interest and capital with interest payable on reducing balance until capital is paid off on 1 December 2025.                  |               |                    |               |                    |
| Development Bank of South Africa (1-951)   | 648,786,396   | 661,952,221        | 648,786,396   | 661,952,221        |
| Unsecured fixed interest 20 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029.                    |               |                    |               |                    |
| Development Bank of South Africa (1-950)   | 142,305,704   | 146,280,461        | 142,305,704   | 146,280,461        |
| Unsecured fixed interest 20 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2029.                    |               |                    |               |                    |
| Development Bank of South Africa (1-851)   | 107,297,726   | 116,693,761        | 107,297,726   | 116,693,761        |
| Unsecured fixed interest 13 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.                   |               |                    |               |                    |
| Development Bank of South Africa (1-800)   | 191,991,667   | 195,422,056        | 191,991,667   | 195,422,056        |
| Unsecured fixed interest 20 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.                    |               |                    |               |                    |
| Development Bank of South Africa (1-700)   | 91,382,256    | 94,222,828         | 91,382,256    | 94,222,828         |
| Unsecured fixed interest 20 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.                    |               |                    |               |                    |
| Development Bank of South Africa (1-701)   | 191,689,206   | 194,808,569        | 191,689,206   | 194,808,569        |
| Unsecured fixed interest 20 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2028.                    |               |                    |               |                    |

## City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

### Notes to the Annual Consolidated Financial Statements

|   | Group       |                    | Municipality |                    |
|---|-------------|--------------------|--------------|--------------------|
|   | 2011<br>R   | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |
| <b>4. Long-term liabilities (continued)</b>   |             |                    |              |                    |
| Development Bank of South Africa (1-501)  | 319,587,132 | 337,762,816        | 319,587,132  | 337,762,816        |
| Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2021.   |             |                    |              |                    |
| Development Bank of South Africa (1-500)  | 74,144,325  | 79,741,415         | 74,144,325   | 79,741,415         |
| Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2021.   |             |                    |              |                    |
| Development Bank of South Africa (1-200)  | 213,818,951 | 227,339,154        | 213,818,951  | 227,339,154        |
| Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2020.   |             |                    |              |                    |
| INCA (1-100)  | 171,323,140 | 183,266,866        | 171,323,140  | 183,266,866        |
| Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2020.  |             |                    |              |                    |
| Development Bank of South Africa (1-52) Secured fixed interest 20 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 Sept 2018. Development Bank of South Africa (1-51) Unsecured fixed interest 10 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2012. Development Bank of South Africa (1-50) Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2018. | 199,772,612 | 215,086,496        | 199,772,612  | 215,086,496        |
| iVuzi Investments (1-550)   | 5,853,131   | 9,167,516          | 5,853,131    | 9,167,516          |
| Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 12 December 2021.   |             |                    |              |                    |
| iVuzi Investments (1-450)   | 192,840,442 | 208,770,788        | 192,840,442  | 208,770,788        |
| Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2021.   |             |                    |              |                    |
| iVuzi Investments (1-300)   | 163,951,984 | 173,194,160        | 163,951,984  | 173,194,160        |
| Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 December 2020.   |             |                    |              |                    |
| iVuzi Investments (1-150)   | 65,608,985  | 69,127,159         | 65,608,985   | 69,127,159         |
| Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2020.   |             |                    |              |                    |
| iVuzi Investments (1-0)   | 79,733,310  | 84,345,088         | 79,733,310   | 84,345,088         |
| Unsecured fixed interest 15 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 30 June 2019.   |             |                    |              |                    |
| Nedbank (1-1150)  | 38,695,134  | 41,119,607         | 38,695,134   | 41,119,607         |
| Unsecured variable interest rate 10 year loan repayable in semi-annually instalments of interest and capital with interest payable on reducing balance until capital is paid off on 16 June 2020.   |             |                    |              |                    |
|   | 14,499,099  | 15,584,846         | 14,499,099   | 15,584,846         |
|   | 338,630,811 | 361,470,929        | 338,630,811  | 361,470,929        |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|   | Group                |                      | Municipality         |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 2011<br>R            | Restated 2010<br>R   | 2011<br>R            | Restated 2010<br>R   |
| <b>4. Long-term liabilities (continued)</b>   |                      |                      |                      |                      |
| Nedbank (1-1100)<br>Unsecured variable interest rate 10 year loan repayable in semi-annually instalments of interest and capital with interest payable on reducing balance until capital is paid off on 18 May 2020.      | 340,378,960          | 364,023,360          | 340,378,960          | 364,023,360          |
| Nedbank (1-852)<br>Unsecured fixed interest 13 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021.       | 142,650,186          | 155,337,258          | 142,650,186          | 155,337,258          |
| ABSA Bank Ltd (1-850)<br>Unsecured fixed interest 13 year loan repayable semi-annually in equal instalments of interest and capital with interest payable on reducing balance until capital is paid off on 31 March 2021. | 207,717,732          | 226,562,872          | 207,717,732          | 226,562,872          |
|   | <b>5,756,429,812</b> | <b>4,931,439,288</b> | <b>5,752,701,117</b> | <b>4,927,395,052</b> |
| <b>Non-current liabilities</b>  |                      |                      |                      |                      |
| At amortised cost   | 5,261,795,691        | 4,432,869,604        | 5,258,066,996        | 4,428,825,368        |
| <b>Current liabilities</b>  |                      |                      |                      |                      |
| At amortised cost   | 494,949,519          | 499,612,430          | 494,634,121          | 498,569,684          |
|   | <b>5,756,745,210</b> | <b>4,932,482,034</b> | <b>5,752,701,117</b> | <b>4,927,395,052</b> |
| <b>5. Lease liabilities</b>   |                      |                      |                      |                      |
| Minimum lease payments due  |                      |                      |                      |                      |
| - within one year   | 127,547,795          | 125,173,675          | 127,547,795          | 125,173,675          |
| - in second to fifth year inclusive   | 170,219,610          | 97,462,555           | 170,219,610          | 97,462,555           |
| 297,767,405   |                      | 222,636,230          | 297,767,405          | 222,636,230          |
| Less: future finance charges  | (36,065,785)         | (23,317,672)         | (36,065,785)         | (23,317,672)         |
| Present value of minimum lease payments   | <b>261,701,620</b>   | <b>199,318,558</b>   | <b>261,701,620</b>   | <b>199,318,558</b>   |
| Present value of minimum lease payments due   |                      |                      |                      |                      |
| - within one year   | 106,980,596          | 108,536,960          | 106,980,596          | 108,536,960          |
| - in second to fifth year inclusive   | 154,721,024          | 90,781,598           | 154,721,024          | 90,781,598           |
| 261,701,620   |                      | <b>199,318,558</b>   | <b>261,701,620</b>   | <b>199,318,558</b>   |
| Non-current liabilities   | 154,721,024          | 90,781,598           | 154,721,024          | 90,781,598           |
| Current liabilities   | 106,980,596          | 108,536,960          | 106,980,596          | 108,536,960          |
| 261,701,620   |                      | <b>199,318,558</b>   | <b>261,701,620</b>   | <b>199,318,558</b>   |
| Collateral held in terms of the above leases (Net book amount of leased assets)   | 261,701,619          | 199,318,558          | 261,701,619          | 199,318,558          |
| Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default  | 253,751,955          | 189,943,539          | 253,751,955          | 189,943,539          |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

### 6. Provisions

#### Reconciliation of provisions - Group - 2011

| Opening Balance<br>the year      | Additions         | Utilised during     | Reversed/<br>adjusted during<br>the year | Total              |
|----------------------------------|-------------------|---------------------|--|--------------------|
| Clearing of alien vegetation     | 7,005,253         | 2,435,386           | (2,467,850)                              | 25,519,617         |
| Rehabilitation of landfill sites | 135,780,097       | 19,385,843          | (21,558,628)                             | 163,319,115        |
| Performance bonus: Sandspruit    | 997,981           | 272,017             | -  | 1,269,998          |
| Rehabilitation of quarries       | 13,988,038        | 3,506,833           | (445,748)                                | 16,463,685         |
| <b>157,771,369</b>               | <b>25,600,079</b> | <b>(24,472,226)</b> | <b>47,673,193</b>                        | <b>206,572,415</b> |

#### Reconciliation of provisions - Group - 2010

| Opening Balance<br>the year      | Additions         | Utilised during     | Reversed/<br>adjusted during<br>the year | Total              |
|----------------------------------|-------------------|---------------------|--|--------------------|
| Clearing of alien vegetation     | 6,368,412         | 7,542,883           | (6,906,042)                              | 7,005,253          |
| Rehabilitation of landfill sites | 171,619,143       | 14,159,488          | (18,126,656)                             | 135,780,097        |
| Performance bonus: Sandspruit    | 917,255           | 80,726              | -  | 997,981            |
| Rehabilitation of quarries       | 25,947,671        | 14,548,906          | (560,868)                                | 13,988,038         |
| <b>204,852,481</b>               | <b>36,332,003</b> | <b>(25,593,566)</b> | <b>(57,819,549)</b>                      | <b>157,771,369</b> |

#### Reconciliation of provisions - Municipality - 2011

| Opening Balance<br>the year      | Additions         | Utilised during     | Reversed/<br>adjusted during<br>the year | Total              |
|----------------------------------|-------------------|---------------------|--|--------------------|
| Clearing of alien vegetation     | 7,005,253         | 2,435,386           | (2,467,850)                              | 25,519,617         |
| Rehabilitation of landfill sites | 135,780,097       | 19,385,843          | (21,558,628)                             | 163,319,115        |
| Rehabilitation of quarries       | 13,988,038        | 3,506,833           | (445,748)                                | 16,463,685         |
| <b>156,773,388</b>               | <b>25,328,062</b> | <b>(24,472,226)</b> | <b>47,673,193</b>                        | <b>205,302,417</b> |

#### Reconciliation of provisions - Municipality - 2010

| Opening Balance<br>the year      | Additions         | Utilised during     | Reversed during<br>the year | Total              |
|----------------------------------|-------------------|---------------------|-----------------------------|--------------------|
| Clearing of alien vegetation     | 6,368,412         | 7,542,883           | (6,906,042)                 | 7,005,253          |
| Rehabilitation of landfill sites | 171,619,143       | 14,159,488          | (18,126,656)                | 135,780,097        |
| Rehabilitation of quarries       | 25,947,671        | 14,548,906          | (560,868)                   | 13,988,038         |
| <b>203,935,226</b>               | <b>36,251,277</b> | <b>(25,593,566)</b> | <b>(57,819,549)</b>         | <b>156,773,388</b> |

#### Total Provisions

|                         |             |             |             |             |
|-------------------------|-------------|-------------|-------------|-------------|
| Non-current liabilities | 205,302,417 | 156,773,388 | 205,302,417 | 156,773,388 |
| Current liabilities     | 1,269,998   | 997,981     | -           | -           |

**206,572,415**

### 7. Consumer deposits

|  |                    |                    |                    |             |
|--|--------------------|--------------------|--------------------|-------------|
| Electricity and water                                      | 359,616,961        | 321,806,961        | 356,856,244        | 319,509,467 |
| <b>Guarantees held:</b>                                    |                    |                    |                    |             |
| Electricity and water consumers (who do not have deposits) | 158,315,818        | 147,113,495        | 158,315,818        | 147,113,495 |
| Guarantees held in lieu of Township Development            | 299,588,556        | 316,580,872        | 299,588,556        | 316,580,872 |
| <b>457,904,374</b>   | <b>463,694,367</b> | <b>457,904,374</b> | <b>463,694,367</b> |             |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|   | Group                |                      | Municipality         |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 2011<br>R            | Restated 2010<br>R   | 2011<br>R            | Restated 2010<br>R   |
| <b>8. Trade and other payables from exchange transactions</b> |                      |                      |                      |                      |
| Trade payables  | 1,816,258,774        | 1,728,927,180        | 1,855,700,504        | 1,744,235,191        |
| Payments received in advance                                  | 46,279,950           | 88,585,902           | 46,279,950           | 65,956,090           |
| Accrued leave pay   | 490,383,438          | 425,795,927          | 486,557,585          | 422,169,965          |
| Deposits received   | 19,985,546           | 14,622,909           | 19,637,758           | 14,283,197           |
| Other creditors   | 774,723,378          | 670,380,266          | 772,358,850          | 668,861,269          |
| Retention creditors   | 159,096,715          | 153,980,649          | 159,096,715          | 153,980,649          |
| RTMC: AARTO   | 53,351,435           | 10,417,085           | 53,351,435           | 10,417,085           |
| Deferred operating lease liability                            | 12,057,120           | 7,935,356            | 12,057,120           | 7,935,356            |
|   | <b>3,372,136,356</b> | <b>3,100,645,274</b> | <b>3,405,039,917</b> | <b>3,087,838,802</b> |
| <b>9. Unspent conditional grants and receipts</b>             |                      |                      |                      |                      |
| Unspent conditional grants and receipts comprises of:         |                      |                      |                      |                      |
| Unspent conditional grants and receipts                       |                      |                      |                      |                      |
| Department Sport & Recreation                                 | -                    | 9,851,876            | -                    | 9,851,876            |
| Department Water Affairs & Forestry (DWAF)                    | 3,441,339            | 8,214,447            | 1,149,838            | 2,534,254            |
| National Electricity Regulator                                | 4,057,431            | 1,139,262            | 4,057,431            | 1,139,262            |
| Finance Management Grant (FMG)                                | -                    | 843,155              | -                    | 843,155              |
| Restructuring Grant   | 163,426              | 11,479,345           | 163,426              | 11,479,345           |
| Housing Projects  | 46,845,036           | (29,132,756)         | 46,845,036           | (29,132,756)         |
| Municipal System Improvement Grant (MSIG)                     | -                    | 28                   | -                    | 28                   |
| Municipal Infrastructure Grant (MIG)                          | -                    | 36,080,486           | -                    | 36,080,486           |
| Transport: World Cup Soccer                                   | 282,319,532          | 264,094,990          | 282,319,532          | 264,094,990          |
| DPLG: Health  | 303,052              | 929,728              | 303,052              | 929,728              |
| 2010 Host Cities  | 2,125,801            | 17,721,573           | 2,125,801            | 17,721,573           |
| Other unspent grants  | -                    | 214,837              | -                    | 214,837              |
| Neighbourhood Development Program                             | 381,813              | 1                    | 381,813              | 1                    |
| Bontle ke Botho award   | 521,450              | 880,150              | 521,450              | 880,150              |
| Arts and Culture grant (Libraries)                            | 1,673,147            | 3,334,231            | 1,673,147            | 3,334,231            |
| Agriculture grant   | -                    | 102,450              | -                    | 102,450              |
| Economic Development grant                                    | 8,750,000            | 192,578              | 8,750,000            | 192,578              |
| Gautrans job creation   | 1,408,211            | 1,553,167            | 1,408,211            | 1,553,167            |
| EPWP  | -                    | 454,357              | -                    | 454,357              |
| NDMC reservist grant  | -                    | 1,364,650            | -                    | 1,364,650            |
| Blue IQ   | 39,998,820           | -                    | 39,998,820           | -                    |
| LG SETA Merit Awards  | 5,625                | -                    | 5,625                | -                    |
| Sport and Recreation  | 515,977              | -                    | 515,977              | -                    |
|   | <b>392,510,660</b>   | <b>329,318,555</b>   | <b>390,219,159</b>   | <b>323,638,362</b>   |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group              |                    | Municipality       |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 2011<br>R          | Restated 2010<br>R | 2011<br>R          | Restated 2010<br>R |
| 9. Unspent conditional grants and receipts (continued) |                    |                    |                    |                    |
| <b>Movement during the year</b>                        |                    |                    |                    |                    |
| Balance at the beginning of the year                   | 329,318,555        | 344,245,503        | 323,638,362        | 344,245,503        |
| Additions during the year                              | 2,547,600,824      | 2,487,199,605      | 2,549,286,264      | 2,473,346,920      |
| Income recognition during the year                     | (2,514,734,034)    | (2,502,126,553)    | (2,513,030,782)    | (2,493,954,061)    |
| Transfer between grants                                | 30,325,315         | -                  | 30,325,315         | -                  |
|  | <b>392,510,660</b> | <b>329,318,555</b> | <b>390,219,159</b> | <b>323,638,362</b> |

The figures above shows:

The nature and extent of government grants recognised in the annual consolidated financial statements and an indication of other forms of government assistance from which the group has directly benefited; and

Unfulfilled conditions and other contingencies attached to government assistance that has been recognised.

Note must be taken that the unspent portion mostly relates to amounts received in advance and which relate to allocations of the following financial year.

See note 25 for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilised.

### 10. VAT

|                |                      |                      |                      |                      |
|----------------|----------------------|----------------------|----------------------|----------------------|
| VAT payable    | (146,482,898)        | (164,730,995)        | (144,462,998)        | (163,285,304)        |
| VAT receivable | -                    | 2,740,752            | -                    | -                    |
|                | <b>(146,482,898)</b> | <b>(161,990,243)</b> | <b>(144,462,998)</b> | <b>(163,285,304)</b> |

VAT is payable on the receipt basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the financial year.

**City of Tshwane Metropolitan Municipality**  
 Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

**Figures in Rand**

**11. Property, plant and equipment**

| Group                               | 2011                  |   |                       | Restated<br>2010      |   |                       |
|-------------------------------------|-----------------------|---|-----------------------|-----------------------|---|-----------------------|
|                                     | Cost / Valuation      | Accumulated<br>depreciation and<br>accumulated impairment | Carrying value        | Cost / Valuation      | Accumulated<br>depreciation and<br>accumulated impairment | Carrying value        |
| <b>Municipality</b>                 |                       |   |                       |                       |   |                       |
| Land                                | 700,018,836           | -   | 700,018,836           | 705,754,663           | -   | 705,754,663           |
| Buildings                           | 1,129,090,014         | (433,020,263)   | 696,069,751           | 1,122,601,539         | (481,371,812)   | 641,229,727           |
| Biological assets (game)            | 12,970,960            | -   | 12,970,960            | 13,322,433            | -   | 13,322,433            |
| Infrastructure                      | 14,903,315,754        | (3,321,487,654)   | 11,581,828,100        | 13,038,329,499        | (2,902,143,223)   | 10,136,186,276        |
| Community                           | 1,733,461,302         | (441,485,563)   | 1,291,975,739         | 1,645,165,138         | (385,847,789)   | 1,259,317,349         |
| Other property, plant and equipment | 1,962,596,125         | (1,003,602,875)   | 958,993,250           | 1,694,056,815         | (726,163,927)   | 967,892,888           |
| Housing stock                       | 3,769,730             | -   | 3,769,730             | 1,142,732             | -   | 1,142,732             |
| Heritage                            | 25,844,496            | (235,353)   | 25,609,143            | 5,674,856             | (196,655)   | 5,478,201             |
| Housing                             | 266,805,100           | (268,248)   | 266,536,852           | 240,948,042           | (231,119)   | 240,716,923           |
| <b>Total</b>                        | <b>20,737,872,317</b> | <b>(5,200,099,956)</b>                                    | <b>15,537,772,361</b> | <b>18,466,995,717</b> | <b>(4,495,954,525)</b>                                    | <b>13,971,041,192</b> |
| <b>Figures in Rand</b>              |                       |   |                       |                       |   |                       |
| Land                                | 700,018,836           | -   | 700,018,836           | 705,754,663           | -   | 705,754,663           |
| Buildings                           | 1,121,277,382         | (431,068,812)   | 690,208,570           | 1,114,810,197         | (479,816,931)   | 634,993,266           |
| Biological assets (game)            | 12,970,960            | -   | 12,970,960            | 13,322,433            | -   | 13,322,433            |
| Infrastructure                      | 14,890,728,262        | (3,315,125,626)   | 11,575,602,636        | 13,025,616,201        | (2,897,153,047)   | 10,128,463,154        |
| Community                           | 1,733,461,302         | (441,485,563)   | 1,291,975,739         | 1,645,165,138         | (385,847,789)   | 1,259,317,349         |
| Other property, plant and equipment | 1,953,034,569         | (995,750,013)   | 957,284,556           | 1,683,307,966         | (718,224,122)   | 965,083,844           |
| Housing stock                       | 3,769,730             | -   | 3,769,730             | 1,142,732             | -   | 1,142,732             |
| Heritage                            | 25,844,496            | (235,353)   | 25,609,143            | 5,674,856             | (196,655)   | 5,478,201             |
| Housing                             | 266,805,100           | (268,248)   | 266,536,852           | 240,948,042           | (231,119)   | 240,716,923           |
| <b>Total</b>                        | <b>20,707,910,637</b> | <b>(5,183,933,615)</b>                                    | <b>15,523,977,022</b> | <b>18,435,742,228</b> | <b>(4,481,469,663)</b>                                    | <b>13,954,272,56</b>  |

## Notes to the Annual Consolidated Financial Statements

### Figures in Rand

#### 11. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - Group - 2011

|  | Additions             | Transfers            | Gains/losses        | Other changes, movements | Depreciation       | Impairment loss      | Total                              |
|--|-----------------------|----------------------|---------------------|--------------------------|--------------------|----------------------|------------------------------------|
| Opening balance arising from changes in fair value             |                       |                      |                     |                          |                    |                      |                                    |
| Land   | 705,754,663           | (5,283,697)          | -                   | (452,130)                | -                  | -                    | 700,018,836                        |
| Buildings  | 641,229,727           | 64,510,939           | -                   | 25,456,673               | (35,127,588)       | -                    | 696,069,751                        |
| Biological assets (game)                                       | 13,322,433            | -                    | (351,473)           | -                        | (2,162,175)        | -                    | 12,970,960                         |
| Infrastructure   | 10,136,186,276        | 1,863,241,324        | (15,575,649)        | -                        | (39,861,676)       | -                    | 11,581,828,100                     |
| Community  | 1,259,317,349         | 96,261,129           | (8,033,112)         | -                        | (55,530,442)       | -                    | 1,291,975,739                      |
| Other property, plant and equipment                            | 967,892,888           | 273,117,559          | (66,449,946)        | -                        | (30,596,720)       | (490,306)            | 958,993,250                        |
| Housing stock  | 1,142,732             | -                    | -                   | 2,626,998                | -                  | -                    | 3,769,730                          |
| Heritage   | 5,478,201             | 20,169,639           | -                   | -                        | (38,697)           | -                    | 25,609,143                         |
| Housing  | 240,716,923           | 23,298,508           | 2,558,549           | -                        | (37,128)           | -                    | 266,536,852                        |
|  | <b>13,971,041,192</b> | <b>2,340,599,098</b> | <b>(92,783,855)</b> | <b>(351,473)</b>         | <b>(5,288,067)</b> | <b>(675,075,756)</b> | <b>(490,306) 15,537,772,361</b>    |
| Reconciliation of property, plant and equipment - Group - 2010 |                       |                      |                     |                          |                    |                      |                                    |
|  | Additions             | Transfers            | Gains/losses        | Other changes, movements | Depreciation       | Impairment loss      | Total                              |
| Opening balance arising from changes in fair value             |                       |                      |                     |                          |                    |                      |                                    |
| Land   | 705,754,663           | 3,159,000            | (3,159,000)         | -                        | -                  | (73,863,230)         | (16,744,474)                       |
| Buildings  | 636,571,806           | 76,733,591           | (18,532,034)        | -                        | -                  | -                    | 705,754,663                        |
| Biological assets (game)                                       | 17,007,999            | (314,406)            | (3,371,160)         | -                        | -                  | (16,744,474)         | 641,229,727                        |
| Infrastructure   | 8,700,939,487         | 1,842,395,744        | (44,575,240)        | -                        | (1,587,868)        | (360,985,847)        | 13,322,433                         |
| Community  | 1,127,280,563         | 157,963,195          | 26,683,166          | -                        | (52,609,575)       | -                    | 10,136,186,276                     |
| Other property, plant and equipment                            | 1,037,408,506         | 54,415,698           | 16,283,028          | -                        | (857)              | (134,932,504)        | 1,259,317,349                      |
| Housing stock  | 1,142,732             | -                    | -                   | -                        | -                  | -                    | 1,142,732                          |
| Heritage   | 3,656,031             | 1,860,868            | 3,021,184           | -                        | (38,698)           | -                    | 5,478,201                          |
| Housing  | 218,901,381           | 18,831,487           | -                   | -                        | (37,129)           | -                    | 240,716,923                        |
|  | <b>12,448,663,168</b> | <b>2,155,045,177</b> | <b>16,785,172</b>   | <b>(3,371,160)</b>       | <b>(1,588,725)</b> | <b>(622,466,983)</b> | <b>(22,025,457) 13,971,041,192</b> |

## Notes to the Annual Consolidated Financial Statements

### Figures in Rand

#### 11. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - Municipality - 2011

|                                     | Opening balance | Additions     | Transfers    | Gains/losses arising from changes in fair value | Other changes, movements | Depreciation  | Impairment loss | Total            |
|-------------------------------------|-----------------|---------------|--------------|---|--------------------------|---------------|-----------------|------------------|
| Land                                | 705,754,663     |               | (5,283,697)  |   |                          |               |                 | - 700,018,836    |
| Buildings                           | 634,993,286     | 64,489,647    | -            | - 25,456,675                                    | (34,731,018)             |               |                 | - 690,298,570    |
| Biological assets (game)            | 13,322,433      |               | (351,473)    | (2,162,176)                                     | (398,392,015)            |               |                 | - 12,970,960     |
| Infrastructure                      | 10,128,463,154  | 1,863,147,796 | (15,454,123) |   | (55,530,442)             |               |                 | - 11,575,602,636 |
| Community                           | 1,259,317,349   | 96,261,127    | (8,033,112)  | (50,785,111)                                    | (182,899,645)            | (490,306)     |                 | - 1,291,975,739  |
| Other property, plant and equipment | 965,083,844     | 272,758,854   | (46,383,080) |   | 2,626,998                |               |                 | - 957,284,556    |
| Housing stock                       | 1,142,732       |               |              |   |                          |               |                 | - 3,769,730      |
| Heritage                            | 5,478,201       | 20,169,639    | -            |   | (38,697)                 |               |                 | - 25,609,143     |
| Housing                             | 240,716,923     | 23,298,508    | 2,558,549    |   | (37,128)                 |               |                 | - 266,536,852    |
|                                     | 13,954,272,565  | 2,340,125,571 | (72,595,463) | (351,473)                                       | (25,354,927)             | (671,628,945) | (490,306)       | 15,523,977,022   |

##### Reconciliation of property, plant and equipment - Municipality - 2010

|                                     | Opening balance | Additions     | Transfers     | Gains/losses arising from changes in fair value | Other changes, movements | Depreciation  | Impairment loss | Total            |
|-------------------------------------|-----------------|---------------|---------------|---|--------------------------|---------------|-----------------|------------------|
| Land                                | 1,121,965,681   | 3,159,000     | (419,370,018) |   |                          |               |                 | - 705,754,663    |
| Buildings                           | 630,165,910     | 76,701,231    | 18,532,034    |   |                          | (73,661,435)  | (16,744,474)    | 634,993,266      |
| Biological assets (game)            | 17,007,999      | (314,406)     | (3,371,160)   |   |                          |               |                 | - 13,322,433     |
| Infrastructure                      | 8,691,971,338   | 1,842,349,104 | (50,475,155)  | (1,587,866)                                     | (353,794,267)            | (52,609,575)  |                 | - 10,128,463,154 |
| Community                           | 1,127,280,563   | 157,963,195   | 26,683,166    |   |                          | (133,390,608) | (5,280,983)     | - 1,259,317,349  |
| Other property, plant and equipment | 1,034,836,479   | 52,635,928    | 16,283,028    |   |                          |               |                 | - 965,083,844    |
| Stock                               | 1,142,732       |               |               |   |                          |               |                 | - 1,142,732      |
| Heritage                            | 3,656,031       | 1,860,868     | 3,021,184     |   |                          | (38,698)      |                 | - 5,478,201      |
| Housing                             | 218,901,381     | 18,831,487    |               |   |                          | (37,129)      |                 | - 240,716,923    |
|                                     | 12,846,928,114  | 2,153,186,407 | (405,325,761) | (3,371,160)                                     | (1,587,866)              | (613,531,712) | (22,025,457)    | 13,954,272,565   |

**City of Tshwane Metropolitan Municipality**  
 Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

**11. Property, plant and equipment (continued)**

**Useful lives**

The useful lives of the assets have been reviewed and adjusted to more accurately reflect the actual expected life spans of the assets within the City of Tshwane. In a majority of the cases, the lives of the items have been extended considerably as the City of Tshwane has embarked on a campaign to ensure that assets are not unnecessarily replaced and that those items in use are properly taken care of and safe guarded.

**Impairment**

The City of Tshwane tested its property, plant and equipment for impairment to ensure that the assets were reflected at the lower of the net book value or recoverable amount. Impairment tests were performed on the following group of assets:

- Assets held for sale: Fair values were determined based on the selling price of the items as per previous auctions held taking into consideration its current condition. Where the net book value of the item exceeded the fair market value less the cost to sell, the assets were impaired to reflect the recoverable cost. The impairment loss of these assets was R490 306.
- Broken assets: All assets identified as "broken" including items with a condition that is "poor" were subject to revision of their useful lives, collectively referred to as "scrap" (refer to note 54). Management considered it not to be necessary to further impair these broken or poor assets, as their useful lives were adjusted for full write-off in the current financial year.

**City of Tshwane Metropolitan Municipality**  
Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

Figures in Rand

**12. Investment property**

| Group   | 2011  |                                |                  | Restated<br>2010                                |                                |                |
|---|---|--------------------------------|------------------|---|--------------------------------|----------------|
|   | Accumulated<br>Cost / Valuation<br>depreciation | Carrying value<br>depreciation | Cost / Valuation | Accumulated<br>Cost / Valuation<br>depreciation | Carrying value<br>depreciation | Carrying value |
| Investment property   | 459,883,476                                     | (39,912,176)                   | 419,971,300      | 453,894,404                                     | (38,131,885)                   | 415,762,519    |
| Municipality  | 444,092,462                                     | (39,912,176)                   | 404,180,286      | 444,294,404                                     | (38,131,885)                   | 406,162,519    |
| Reconciliation of investment property - Group - 2011        |   |                                |                  |   |                                |                |
| Opening balance   |   |                                |                  |   |                                |                |
| movements   |   |                                |                  |   |                                |                |
| Investment property   | 415,762,519                                     | (7,928)                        | (161,352)        | 6,191,014                                       | (1,812,953)                    | 419,971,300    |
| Reconciliation of investment property - Group - 2010        |   |                                |                  |   |                                |                |
| Opening balance   |   |                                |                  |   |                                |                |
| movements   |   |                                |                  |   |                                |                |
| Investment property   | 17,605,431                                      | 389,982,933                    | (1,825,845)      |   |                                | 415,762,519    |
| Reconciliation of investment property - Municipality - 2011 |   |                                |                  |   |                                |                |
| Opening balance   |   |                                |                  |   |                                |                |
| movements   |   |                                |                  |   |                                |                |
| Investment property   | 406,162,519                                     | (7,928)                        | (161,352)        | (1,812,953)                                     |                                | 404,180,286    |
| Reconciliation of investment property - Municipality - 2010 |   |                                |                  |   |                                |                |
| Opening balance   |   |                                |                  |   |                                |                |
| movements   |   |                                |                  |   |                                |                |
| Investment property   | 8,005,431                                       | 399,982,933                    | (1,825,845)      |   |                                | 406,162,519    |

## Notes to the Annual Consolidated Financial Statements

Figures in Rand

### 13. Intangible assets

| Group   | 2011                     |                          |                  | Restated<br>2010         |                          |                |
|---|--------------------------|--------------------------|------------------|--------------------------|--------------------------|----------------|
|   | Cost / Valuation         | Accumulated depreciation | Carrying value   | Cost / Valuation         | Accumulated depreciation | Carrying value |
| Computer software, other                                  | 360,064,799              | (160,140,679)            | 199,924,120      | 249,682,083              | (142,433,980)            | 107,248,103    |
| Municipality  |                          |                          |                  |                          |                          |                |
| Cost / Valuation  | 2011                     |                          |                  | Restated<br>2010         |                          |                |
|   | Accumulated depreciation | Carrying value           | Cost / Valuation | Accumulated depreciation | Carrying value           |                |
| Computer software, other                                  | 360,064,799              | (160,140,679)            | 199,924,120      | 249,620,943              | (142,372,840)            | 107,248,103    |
| Reconciliation of intangible assets - Group - 2011        |                          |                          |                  |                          |                          |                |
| Opening balance   | 107,248,103              |                          | 90,418,591       |                          | 44,121,381               |                |
| Computer software, other                                  |                          |                          |                  |                          |                          |                |
| Reconciliation of intangible assets - Group - 2010        |                          |                          |                  |                          |                          |                |
| Opening balance   | 156,192,369              |                          | 483,999          |                          | 4,438,311                |                |
| Computer software, other                                  |                          |                          |                  |                          |                          |                |
| Reconciliation of intangible assets - Municipality - 2011 |                          |                          |                  |                          |                          |                |
| Opening balance   | 107,248,103              |                          | 90,418,591       |                          | 44,121,381               |                |
| Computer software, other                                  |                          |                          |                  |                          |                          |                |
| Reconciliation of intangible assets - Municipality - 2010 |                          |                          |                  |                          |                          |                |
| Opening balance   | 156,190,749              |                          | 483,999          |                          | 4,439,931                |                |
| Computer software, other                                  |                          |                          |                  |                          |                          |                |

**City of Tshwane Metropolitan Municipality**  
 Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

Figures in Rand

**14. Leased assets**

| Group   | 2011                             |                             |                | Restated<br>2010                 |                             |                |
|---|----------------------------------|-----------------------------|----------------|----------------------------------|-----------------------------|----------------|
|   | Cost / Valuation<br>depreciation | Accumulated<br>depreciation | Carrying value | Cost / Valuation<br>depreciation | Accumulated<br>depreciation | Carrying value |
| Leased assets   | 414,973,265                      | (161,221,303)               | 253,751,962    | 307,882,398                      | (118,183,063)               | 189,699,335    |
| Municipality  |                                  |                             |                |                                  |                             |                |
| Cost / Valuation<br>depreciation                      | 189,699,335                      | 189,699,335                 | 107,061,505    | 107,061,505                      | 54,016,138                  | 54,016,138     |
| Leased assets   | 414,973,265                      | (161,221,303)               | 253,751,962    | 307,882,398                      | (118,183,063)               | 189,699,335    |
| Reconciliation of leased assets - Group - 2011        |                                  |                             |                |                                  |                             |                |
| Opening balance                                       |                                  |                             |                |                                  |                             |                |
| Leased assets   |                                  |                             |                |                                  |                             |                |
| Reconciliation of leased assets - Group - 2010        |                                  |                             |                |                                  |                             |                |
| Opening balance                                       |                                  |                             |                |                                  |                             |                |
| Leased assets   |                                  |                             |                |                                  |                             |                |
| Reconciliation of leased assets - Municipality - 2011 |                                  |                             |                |                                  |                             |                |
| Leased assets   |                                  |                             |                |                                  |                             |                |
| Reconciliation of leased assets - Municipality - 2010 |                                  |                             |                |                                  |                             |                |
| Leased assets   |                                  |                             |                |                                  |                             |                |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|   | Group            |                    | Municipality     |                    |
|---|------------------|--------------------|------------------|--------------------|
|   | 2011<br>R        | Restated 2010<br>R | 2011<br>R        | Restated 2010<br>R |
| <b>15. Non-current assets held for sale</b>               |                  |                    |                  |                    |
| Non-current assets held for sale                          |                  |                    |                  |                    |
| Non-current assets held for sale                          | 6,410,919        | 21,862,652         | 6,410,919        | 21,862,652         |
| Non-current assets held for sale Accumulated depreciation | (4,183,833)      | (19,470,611)       | (4,183,833)      | (19,470,611)       |
|   | <b>2,227,086</b> | <b>2,392,041</b>   | <b>2,227,086</b> | <b>2,392,041</b>   |

The abovementioned groups of assets (mostly vehicles, bicycles and other smaller movable assets) have been marked for disposal and are in the auction yard at year end.

Non-current assets held for sale also include obsolete inventory to the amount of R791 822 (2010 = R1 094 831) which have been transferred for disposal.

## 16. Investments

|                                       |                    |                    |                    |                    |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Available-for-sale Investments</b> |                    |                    |                    |                    |
| Short-term deposits                   | 496,337,962        | 641,132,411        | 496,337,962        | 641,037,443        |
| <b>Held to maturity investments</b>   |                    |                    |                    |                    |
| Municipal stock                       | 3,033,003          | 3,033,003          | 3,033,003          | 3,033,003          |
| Assurance companies                   | 3,592,836          | 6,683,304          | 3,592,836          | 6,683,304          |
| Fixed deposits                        | 117,225,502        | 186,948,698        | 117,225,502        | 186,948,698        |
|                                       | <b>123,851,341</b> | <b>196,665,005</b> | <b>123,851,341</b> | <b>196,665,005</b> |
| <b>Total Investments</b>              | <b>620,189,303</b> | <b>837,797,416</b> | <b>620,189,303</b> | <b>837,702,448</b> |
| <b>Non-current Investments</b>        |                    |                    |                    |                    |
| Long-term investments                 | 123,851,341        | 196,665,005        | 123,851,341        | 196,665,005        |
| <b>Current Investments</b>            |                    |                    |                    |                    |
| Short-term deposits                   | 496,337,962        | 641,132,411        | 496,337,962        | 641,037,443        |

There were no gains or losses realised on the disposal of held to maturity financial assets in 2011 and 2010, as all the financial assets were disposed of at their redemption date.

### Market value of listed investments and management's valuation of unlisted investments:

|                      |             |             |             |             |
|----------------------|-------------|-------------|-------------|-------------|
| Unlisted investments | 638,915,619 | 701,869,596 | 638,915,619 | 701,869,596 |
|----------------------|-------------|-------------|-------------|-------------|

### Average rate of return:

|   |         |         |         |         |
|---|---------|---------|---------|---------|
| Average rate of return on long-term investments:  | 11.17 % | 11.34 % | 11.17 % | 11.34 % |
| Average rate of return on short-term investments: | 5.36 %  | 9.24 %  | 5.36 %  | 9.24 %  |

No impairment occurred during the financial year under review

Carrying amount of investments to the amount of R458 973 046 (2010 = R675 797 922) is ceded over to all secured long-term liabilities as per note 4. Also refer to note 21 and note 37.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|   | Group               |                     | Municipality        |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 2011<br>R           | Restated 2010<br>R  | 2011<br>R           | Restated 2010<br>R  |
| <b>17. Long-term receivables</b>                                |                     |                     |                     |                     |
| Consumers: Arrangement debtors                                  | 199,685,823         | 234,165,866         | 199,685,823         | 234,165,866         |
| Housing loans   | 20,752,130          | 57,271,605          | 20,752,130          | 57,271,605          |
| Loans to sports clubs   | 1,448,713           | 1,517,494           | 1,448,713           | 1,517,494           |
| Motor car loans   | 63,748              | 104,645             | 63,748              | 104,645             |
| Study loans   | 2,126               | 3,827               | 2,126               | 3,827               |
| Sale of land  | 69,135,077          | 73,006,819          | 69,135,077          | 73,006,819          |
|   | <b>291,087,617</b>  | <b>366,070,256</b>  | <b>291,087,617</b>  | <b>366,070,256</b>  |
| Short-term portion of Long-term receivables                     | (102,835,275)       | (124,983,630)       | (102,835,275)       | (124,983,630)       |
|   | <b>188,252,342</b>  | <b>241,086,626</b>  | <b>188,252,342</b>  | <b>241,086,626</b>  |
| Provision: Bad debt housing debtors                             | (59,241,366)        | (43,113,788)        | (59,241,366)        | (43,113,788)        |
|   | <b>129,010,976</b>  | <b>197,972,838</b>  | <b>129,010,976</b>  | <b>197,972,838</b>  |
| <b>Reconciliation of provision for bad debt housing debtors</b> |                     |                     |                     |                     |
| Balance at the beginning of year                                | (43,113,788)        | (73,242,519)        | (43,113,788)        | (73,242,519)        |
| Write back of provision during the year                         | (16,127,578)        | (19,693,182)        | (16,127,578)        | (19,693,182)        |
| Write back impairment of 0 % interest                           | -                   | 49,821,913          | -                   | 49,821,913          |
|   | <b>(59,241,366)</b> | <b>(43,113,788)</b> | <b>(59,241,366)</b> | <b>(43,113,788)</b> |

### Consumer: Arrangement debtors

A policy exists granting consumer debtors an opportunity to make arrangements to pay off their arrear debt over a certain period.

### Housing loans

Housing loans are granted to qualifying individuals in terms of the Provincial Administration's Housing Program. These loans attract interest of 13.5% per annum and are repayable over periods of 20 and 30 years. These loans have various terms applicable.

### Motor car loans

Senior staff was entitled to motor car loans which attract interest at 8.5% per annum and which are repayable over a maximum period of 6 years. This practice has been terminated in terms of the MFMA and the last loan will be fully repaid in the next financial year.

### Loans to sport clubs

Sports Clubs that do qualify sign a 99 year lease hold agreement with the Municipality at a nominal amount and are provided with financial assistance from the Municipality to build or improve a facility of which the funds are repayable over a period and the Club has no claim to the improvements after the expiration of the lease hold agreement.

### Study loans

Employees were entitled to interest free study loans which were repayable over a period of one year after the completion of their studies. This practice has been terminated in terms of the MFMA. The last payment cannot be determined at present as some of the employees are still studying. Children of employees of the Municipality also qualified for study loans which attracted an interest rate applicable during the period of application as determined by the Municipality at the time of the application and the approval thereof. No more new study loans are issued by the Municipality.

### Sale of land debtors

Vacant properties are sold through a process administered by Property Legal Services. Contracts are signed and advices for the opening of individual accounts, which indicates the amount of the deposit (10%) and VAT (14%) are issued. The contract stipulates as from when interest is payable (immediately after signing the contract or after 12 months). The interest rate used is the Municipality's mortgage bond rate which currently is 11%. Interest is calculated monthly on the outstanding balance of the property.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|                              | Group              |                    | Municipality       |                    |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
|                              | 2011<br>R          | Restated 2010<br>R | 2011<br>R          | Restated 2010<br>R |
| <b>18. Inventories</b>       |                    |                    |                    |                    |
| General stores               | 242,472,122        | 195,640,740        | 240,367,806        | 165,694,802        |
| Bulk Water                   | 3,865,476          | 3,678,464          | 3,865,476          | 3,678,464          |
| Catering (Premos restaurant) | 19,425             | 46,718             | 19,425             | 46,718             |
| Wonderboom Airport           | 1,587,401          | 1,287,882          | 1,587,401          | 1,287,882          |
| Bus Tickets                  | 474,372            | -                  | 474,372            | -                  |
| Plants (Nursery)             | 79,907             | 146,063            | 79,907             | 146,063            |
| Quarries                     | 380,817            | 724,787            | 380,817            | 724,787            |
| Coal (power stations)        | 77,993,247         | 11,486,797         | 77,993,247         | 11,486,797         |
|                              | <u>326,872,767</u> | <u>213,011,451</u> | <u>324,768,451</u> | <u>183,065,513</u> |

### 19. Consumer debtors

The City of Tshwane has a consolidated account billing system. The division of debtors per service category is done on a pro-rata basis based on the levies. The provision for bad debt is also not available per income/service group.

|  |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|
| <b>Service debtors:</b>                    |                      |                      |                      |                      |
| Rates                                      | 1,167,059,909        | 1,080,349,834        | 1,167,059,909        | 1,081,212,240        |
| Electricity                                | 2,159,224,942        | 1,893,314,947        | 2,159,224,942        | 1,893,314,947        |
| Water                                      | 1,186,508,107        | 1,084,083,065        | 881,038,798          | 814,952,692          |
| Sewerage                                   | 223,190,244          | 212,863,896          | 223,190,244          | 212,863,896          |
| Refuse                                     | 258,356,774          | 251,442,553          | 258,356,774          | 251,442,553          |
|  | <u>4,994,339,976</u> | <u>4,522,054,295</u> | <u>4,688,870,667</u> | <u>4,253,786,328</u> |
| Less: Arrangement debtors                  | (199,685,823)        | (234,165,866)        | (199,685,823)        | (234,165,866)        |
|  | <u>4,794,654,153</u> | <u>4,287,888,429</u> | <u>4,489,184,844</u> | <u>4,019,620,462</u> |
| <b>Less: Provision for debt impairment</b> |                      |                      |                      |                      |
| Provision for bad debt                     | (2,233,923,917)      | (1,934,433,608)      | (1,932,889,995)      | (1,682,944,157)      |
| <b>Net balance</b>                         |                      |                      |                      |                      |
| Rates                                      | 1,167,059,909        | 1,080,349,834        | 1,167,059,909        | 1,081,212,240        |
| Electricity                                | 2,159,224,942        | 1,893,314,947        | 2,159,224,942        | 1,893,314,947        |
| Water                                      | 1,186,508,107        | 1,084,083,065        | 881,038,798          | 814,952,692          |
| Sewerage                                   | 223,190,244          | 212,863,896          | 223,190,244          | 212,863,896          |
| Refuse                                     | 258,356,774          | 251,442,553          | 258,356,774          | 251,442,553          |
| Less: Arrangement debtors                  | (199,685,823)        | (234,165,866)        | (199,685,823)        | (234,165,866)        |
| Less: Provision for bad debt               | (2,233,923,917)      | (1,934,433,608)      | (1,932,889,995)      | (1,682,944,157)      |
|  | <u>2,560,730,236</u> | <u>2,353,454,821</u> | <u>2,556,294,849</u> | <u>2,336,676,305</u> |

An amount of R202 849 828 (R231 248 804 inclusive of VAT) was written off during 2010/11 [2009/10 = R227 288 040 (R259 108 366 inclusive of VAT)] in terms of a Council Resolution dated 29 August 2002 and 25 March 2010 whereby the Chief Financial Officer have delegated powers to write off amounts lower than R3 000 and active accounts. A Council Resolution dated 31 March 2005 renders approval whereby the debt of indigent households is written off.

### AGEING

|                      |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Rates</b>         |                      |                      |                      |                      |
| Current (0 -30 days) | 264,857,349          | 291,137,295          | 264,857,349          | 291,999,701          |
| 31 - 60 days         | 41,488,783           | 52,473,013           | 41,488,783           | 52,473,013           |
| 61 - 90 days         | 34,119,794           | 37,785,703           | 34,119,794           | 37,785,703           |
| 91 + days            | 826,593,983          | 698,953,823          | 826,593,983          | 698,953,823          |
|                      | <u>1,167,059,909</u> | <u>1,080,349,834</u> | <u>1,167,059,909</u> | <u>1,081,212,240</u> |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group                  |                        | Municipality           |                        |
|--|------------------------|------------------------|------------------------|------------------------|
|  | 2011<br>R              | Restated 2010<br>R     | 2011<br>R              | Restated 2010<br>R     |
| <b>19. Consumer debtors (continued)</b>              |                        |                        |                        |                        |
| <b>Electricity</b>                                   |                        |                        |                        |                        |
| Current (0 -30 days)                                 | 816,649,187            | 597,635,055            | 816,649,187            | 597,635,055            |
| 31 - 60 days   | 31,302,700             | 118,394,497            | 31,302,700             | 118,394,497            |
| 61 - 90 days   | 33,436,767             | 31,931,663             | 33,436,767             | 31,931,663             |
| 91 + days  | 1,277,836,288          | 1,145,353,732          | 1,277,836,288          | 1,145,353,732          |
|  | <b>2,159,224,942</b>   | <b>1,893,314,947</b>   | <b>2,159,224,942</b>   | <b>1,893,314,947</b>   |
| <b>Water</b>   |                        |                        |                        |                        |
| Current (0 -30 days)                                 | 537,465,032            | 468,506,394            | 231,995,723            | 199,376,021            |
| 31 - 60 days   | 20,079,852             | 39,647,128             | 20,079,852             | 39,647,128             |
| 61 - 90 days   | 17,838,145             | 20,266,031             | 17,838,145             | 20,266,031             |
| 91 + days  | 611,125,078            | 555,663,512            | 611,125,078            | 555,663,512            |
|  | <b>1,186,508,107</b>   | <b>1,084,083,065</b>   | <b>881,038,798</b>     | <b>814,952,692</b>     |
| <b>Sanitation</b>                                    |                        |                        |                        |                        |
| Current (0 -30 days)                                 | 58,748,664             | 55,167,370             | 58,748,664             | 55,167,370             |
| 31 - 60 days   | 3,497,524              | 10,636,555             | 3,497,524              | 10,636,555             |
| 61 - 90 days   | 3,729,946              | 4,564,653              | 3,729,946              | 4,564,653              |
| 91 + days  | 157,214,110            | 142,495,318            | 157,214,110            | 142,495,318            |
|  | <b>223,190,244</b>     | <b>212,863,896</b>     | <b>223,190,244</b>     | <b>212,863,896</b>     |
| <b>Solid waste</b>                                   |                        |                        |                        |                        |
| Current (0 -30 days)                                 | 39,445,504             | 34,477,282             | 39,445,504             | 34,477,282             |
| 31 - 60 days   | 4,934,958              | 11,673,032             | 4,934,958              | 11,673,032             |
| 61 - 90 days   | 4,815,877              | 5,053,899              | 4,815,877              | 5,053,899              |
| 91 + days  | 209,160,435            | 200,238,340            | 209,160,435            | 200,238,340            |
|  | <b>258,356,774</b>     | <b>251,442,553</b>     | <b>258,356,774</b>     | <b>251,442,553</b>     |
| <b>Ageing: Total</b>                                 |                        |                        |                        |                        |
| Current (0 -30 days)                                 | 1,717,165,737          | 1,522,624,396          | 1,411,696,428          | 1,254,356,429          |
| 31 - 60 days   | 101,303,818            | 170,175,676            | 101,303,818            | 170,175,676            |
| 61 - 90 days   | 93,940,528             | 112,258,242            | 93,940,528             | 112,258,242            |
| 91 + days  | 3,081,929,893          | 2,716,995,981          | 3,081,929,893          | 2,716,995,981          |
|  | <b>4,994,339,976</b>   | <b>4,522,054,295</b>   | <b>4,688,870,667</b>   | <b>4,253,786,328</b>   |
| <b>Summary of debtors by customer classification</b> |                        |                        |                        |                        |
| <b>Consumers</b>                                     |                        |                        |                        |                        |
| Household  | 3,307,856,588          | 3,087,591,956          | 3,002,387,280          | 2,819,323,989          |
| Industrial/Commercial                                | 1,016,368,590          | 848,020,382            | 1,016,368,590          | 848,020,382            |
| National and Provincial Government                   | 15,048,763             | 63,285,103             | 15,048,763             | 63,285,103             |
| Other  | 655,066,035            | 523,156,854            | 655,066,035            | 523,156,854            |
|  | <b>4,994,339,976</b>   | <b>4,522,054,295</b>   | <b>4,688,870,668</b>   | <b>4,253,786,328</b>   |
| <b>Reconciliation of debt impairment provision</b>   |                        |                        |                        |                        |
| Balance at beginning of the year                     | (1,934,433,608)        | (1,318,609,336)        | (1,682,944,157)        | (1,102,727,977)        |
| Contributions to provision                           | (314,407,187)          | (630,097,381)          | (270,294,638)          | (580,216,180)          |
| Transfer to other provisions                         | 20,348,800             | -                      | 20,348,800             | -                      |
| Reversal of provision                                | (5,431,922)            | 14,273,109             | -                      | -                      |
|  | <b>(2,233,923,917)</b> | <b>(1,934,433,608)</b> | <b>(1,932,889,995)</b> | <b>(1,682,944,157)</b> |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group              |                    | Municipality       |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 2011<br>R          | Restated 2010<br>R | 2011<br>R          | Restated 2010<br>R |
| <b>20. Other debtors</b>                   |                    |                    |                    |                    |
| Municipal Infrastructure Grant             | 24,075,135         | 69,329,000         | 24,075,135         | 69,329,000         |
| Gauteng Province: Housing grants           | -                  | 125,146,030        | -                  | 125,146,030        |
| Housing debtors                            | 26,963,074         | 22,659,334         | 26,963,074         | 22,659,334         |
| Government subsidies                       | 41,595,500         | 17,327,500         | 41,595,500         | 17,327,500         |
| Miscellaneous                              | 146,967,845        | 65,516,830         | 213,479,662        | 105,974,840        |
| Lease revenue                              | 47,409,154         | 40,075,669         | 47,326,882         | 40,025,005         |
| DWAF outstanding grant                     | 4,750,000          | 4,750,000          | 4,750,000          | 4,750,000          |
| Waste management                           | 38,521,964         | 14,527,830         | 38,521,964         | 14,527,830         |
| Sundry rentals                             | 48,302,152         | 42,915,269         | 48,302,152         | 42,915,269         |
| Sundry Persons                             | 184,363,048        | 129,593,427        | 186,431,015        | 129,593,427        |
| Public contributions                       | 157,060,859        | 125,550,606        | 157,060,859        | 125,550,606        |
| Sandspruit                                 | 34,298,530         | 64,993,081         | 34,298,530         | 64,993,081         |
| RTMC: AARTO debtor                         | 34,943,480         | 5,265,354          | 34,943,480         | 5,265,354          |
|  | <u>789,250,741</u> | <u>838,051,922</u> | <u>857,748,253</u> | <u>878,459,268</u> |
| Less: Provision for bad debt other debtors | (274,900,358)      | (191,424,952)      | (274,852,557)      | (191,305,855)      |
|  | <u>514,350,383</u> | <u>536,224,978</u> | <u>582,895,696</u> | <u>576,751,421</u> |

### Reconciliation of provision for impairment of trade and other receivables

|   |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|
| Opening balance                         | (191,424,952)        | (47,220,043)         | (191,305,855)        | (32,724,885)         |
| Contributions to provision              | (63,197,902)         | (158,700,067)        | (63,197,902)         | (158,580,970)        |
| Transfer from consumer debtor provision | (20,348,800)         | -                    | (20,348,800)         | -                    |
| Write back of provision during the year | -                    | 14,495,158           | -                    | -                    |
| Other: Municipal entities               | 71,296               | -                    | -                    | -                    |
|   | <u>(274,900,358)</u> | <u>(191,424,952)</u> | <u>(274,852,557)</u> | <u>(191,305,855)</u> |

### 21. Call investment deposits ring-fencing

Other deposits of R638 915 619 (2010 = R701 869 596 and 2009 = R660 332 240) are ring-fenced and attributable to the Capital Replacement Reserve of R536 779 891 (2010 = R460 173 985 and 2009 = R361 254 474).

Fixed deposits amounting to R458 973 046 (2010 = R675 797 922 and 2009 = R598 458 250) have also been ring-fenced for the purposes of repaying long-term liabilities.

### 22. Cash and cash equivalents

Cash and cash equivalents consist of:

|                           |                    |                    |                    |                    |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| Cash on hand              | 291,927            | 280,277            | 283,027            | 275,277            |
| Bank balances             | 409,802,800        | 111,352,662        | 358,950,452        | 92,943,051         |
| Short-term deposits       | 496,337,962        | 641,132,411        | 496,337,962        | 641,037,443        |
| Bank overdraft            | -                  | (12,979,239)       | -                  | (12,979,239)       |
|                           | <u>906,432,689</u> | <u>739,786,111</u> | <u>855,571,441</u> | <u>721,276,532</u> |
| <br>Cash and bank         | <br>410,094,727    | <br>111,632,939    | <br>359,233,479    | <br>93,218,328     |
| Call investments deposits | 496,337,962        | 641,132,411        | 496,337,962        | 641,037,443        |
| Bank overdraft            | -                  | (12,979,239)       | -                  | (12,979,239)       |
|                           | <u>906,432,689</u> | <u>739,786,111</u> | <u>855,571,441</u> | <u>721,276,532</u> |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

### 22. Cash and cash equivalents (continued)

The municipality and municipal entities has the following bank accounts

| Account number / description              | Bank statement balances |                    |                   | Cash book balances |                   |                    |
|---|-------------------------|--------------------|-------------------|--------------------|-------------------|--------------------|
|   | 30 June 2011            | 30 June 2010       | 30 June 2009      | 30 June 2011       | 30 June 2010      | 30 June 2009       |
| Absa - 4060738263                         | 22,589,302              | 8,808,030          | 13,339,211        | 22,949,006         | 8,822,546         | 13,433,453         |
| FNB - 51420107207                         | 9,458,968               | 4,686,127          | 14,684,609        | 9,464,455          | 4,784,071         | 8,630,642          |
| Standard - 410801453                      | 249,163,354             | 66,606,728         | 34,003,014        | 303,717,749        | 47,513,098        | (95,416,694)       |
| Standard 2010 Account - 410801682         | -                       | -                  | -                 | -                  | -                 | 42,627,751         |
| Insurance Contingency - Absa - 4062593950 | 1,985,425               | 62,724             | 148,524           | 1,985,425          | 62,724            | 148,524            |
| Tshwane Market - FNB - 51421161509        | 21,853,817              | 19,593,055         | 18,813,633        | 20,833,817         | 18,781,373        | 18,370,481         |
| Nedbank - 1454121963                      | 1,356,360               | -                  | -                 | -                  | -                 | -                  |
| Civirelo: Absa - 4052561692               | -                       | 18,521             | 2,212,691         | -                  | 18,521            | 2,212,691          |
| Civirelo: Absa - 9078443130               | -                       | 136,740            | 1,330,578         | -                  | 136,740           | 1,330,578          |
| Housing Company: Absa - 4065722829        | 672,493                 | 70,705             | 40,877            | 672,493            | 70,705            | 40,877             |
| Housing Company: Absa - 4057481879        | 8,588,453               | 8,475              | 111,700           | 8,588,453          | 8,475             | 97,880             |
| Housing Company: Absa - 911408066         | 409,444                 | 342,958            | -                 | 409,444            | 342,958           | 1,933              |
| Sandspruit: Standard - 32250738           | 22,150,482              | 3,075,461          | 11,864,123        | 21,890,068         | 2,477,666         | 942,177            |
| Sandspruit: Standard - 11020              | 67,536                  | 86,535             | 76,845            | 67,536             | 86,536            | 76,581             |
| Sandspruit: Standard - 11030              | 16,827,485              | 15,005,198         | 950,146           | 16,827,485         | 15,005,198        | 950,146            |
| Sandspruit: Absa - 4051139634             | 2,256,070               | 31,494             | 512,722           | 2,256,070          | 31,494            | 512,722            |
| Tradepoint: Absa - 4054625800             | -                       | -                  | 58,749            | -                  | -                 | 58,749             |
| Cenbis: Absa - 405037263                  | -                       | -                  | 53,375            | -                  | -                 | 55,914             |
| <b>Total</b>                              | <b>357,379,189</b>      | <b>118,532,751</b> | <b>98,200,797</b> | <b>409,662,001</b> | <b>98,142,105</b> | <b>(5,925,595)</b> |

### 23. Property rates

#### Rates received

|                                 |                      |                      |                      |                      |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| Property rates                  | 2,923,082,079        | 2,715,755,873        | 2,923,185,028        | 2,715,866,556        |
| Less: Interdepartmental charges | (15,798,031)         | (16,076,361)         | (15,798,031)         | (16,076,361)         |
|                                 | <b>2,907,284,048</b> | <b>2,699,679,512</b> | <b>2,907,386,997</b> | <b>2,699,790,195</b> |

#### Valuations

|             |                        |                        |                        |                        |
|-------------|------------------------|------------------------|------------------------|------------------------|
| Residential | 222,674,062,806        | 210,215,234,184        | 222,674,062,806        | 210,215,234,184        |
| Other       | 71,245,851,141         | 80,636,936,657         | 71,245,851,141         | 80,636,936,657         |
|             | <b>293,919,913,947</b> | <b>290,852,170,841</b> | <b>293,919,913,947</b> | <b>290,852,170,841</b> |

The site value was changed to market value according to the MPRA that came into effect on 1 July 2008. The increase in valuation is due to the fact that the full market value of a property is now the basis of levying rates and not the land value.

No difference is made between land value and improvement value and only market value appears on the valuation roll. Applicable tariff - with the implementation of the MPRA categories of properties are levied at different tariffs with different rebates applicable.

Persons of 60 years or older and physically or mentally handicapped persons who can substantiate receipt of a social pension, and persons certified by the Medical Officer of Health as physically or mentally handicapped, can qualify for a rebate, subject to certain other conditions.

### 24. Service charges

|                                 |                      |                      |                      |                      |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| Sale of electricity             | 6,054,002,587        | 5,041,372,931        | 6,054,223,934        | 5,041,715,164        |
| Sale of water                   | 1,679,482,389        | 1,471,176,146        | 1,685,907,620        | 1,403,330,701        |
| Solid waste                     | 404,476,313          | 367,457,947          | 404,476,313          | 367,457,947          |
| Sewerage and sanitation charges | 434,791,968          | 374,168,402          | 434,791,968          | 374,168,402          |
| Less: Interdepartmental charges | (185,323,154)        | (168,983,027)        | (185,323,154)        | (168,983,027)        |
|                                 | <b>8,387,430,103</b> | <b>7,085,192,399</b> | <b>8,394,076,681</b> | <b>7,017,689,187</b> |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group                |                      | Municipality         |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 2011<br>R            | Restated 2010<br>R   | 2011<br>R            | Restated 2010<br>R   |
| <b>25. Government grants and subsidies</b> |                      |                      |                      |                      |
| Equitable share                            | 717,977,936          | 528,546,612          | 717,977,936          | 528,546,612          |
| Opex: Grants & donations                   | 41,186,161           | 133,338,194          | 41,186,161           | 133,338,194          |
| Provincial ambulance subsidy               | 44,414,500           | 40,712,500           | 44,414,500           | 40,712,500           |
| Equitable Share: Fuel levy                 | 1,085,816,000        | 969,463,000          | 1,085,816,000        | 969,463,000          |
| Finance Management Grant                   | 1,612,025            | 1,422,083            | 1,612,025            | 1,422,083            |
| Restructuring Grant                        | 11,243,136           | 29,627,167           | 11,243,136           | 29,627,167           |
| Municipal System Improvement Grant (MSIG)  | -                    | 498,372              | -                    | 498,372              |
| DWAF grant                                 | 6,664,316            | 9,103,157            | 6,664,316            | 9,103,157            |
| Opex Grant: DACE                           | 102,450              | 53,800               | 102,450              | 53,800               |
| Top structure grant                        | 13,294,443           | -                    | 13,294,443           | -                    |
| Provincial health subsidy                  | 27,270,614           | 24,250,439           | 27,270,614           | 24,250,439           |
| HIV and AIDS                               | 1,626,676            | 1,412,874            | 1,626,676            | 1,412,874            |
| Community library services                 | 6,427,479            | 7,781,455            | 6,427,479            | 3,268,704            |
| Opex: Grant :EPWP                          | -                    | 5,000                | -                    | 5,000                |
| Capex: Grants and donations                | 492,893,260          | 763,239,286          | 492,893,260          | 763,239,286          |
| PTIS opex                                  | 60,816,322           | -                    | 60,816,322           | -                    |
| MIG opex                                   | 1,685,465            | -                    | 1,685,465            | -                    |
|  | <b>2,513,030,783</b> | <b>2,509,453,939</b> | <b>2,513,030,783</b> | <b>2,504,941,188</b> |

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R251 (2010 = R 223 and 2009 = R 186), which is funded from the grant.

### Provincial Health Subsidies

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| Current-year receipts                   | 19,414,474   | 24,250,439   | 19,414,474   | 24,250,439   |
| Conditions met - transferred to revenue | (27,270,614) | (24,250,439) | (27,270,614) | (24,250,439) |
| Transfers                               | 7,856,140    | -            | 7,856,140    | -            |
|   | -            | -            | -            | -            |

### Conditions still to be met - remain liabilities (see note 9)

The Municipality renders health services on behalf of the Provincial Government. The purpose of this subsidy is to render comprehensive primary health services according to service level agreements. This subsidy has been used exclusively to fund clinic services included in the Social Development vote in Appendix D). The conditions of the grant have been met. The subsidy for the last quarter of 2010/11 have not been paid over to the municipality yet and a debtor was created to the value of R8 956 000.

The percentage of expenditure incurred refunded during the financial year = 15.99 % (2010 = 13.41% and 2009 = 16.25 %)

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group        |                    | Municipality |                    |
|--|--------------|--------------------|--------------|--------------------|
|  | 2011<br>R    | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |
| <b>25. Government grants and subsidies (continued)</b>       |              |                    |              |                    |
| <b>Provincial Ambulance Subsidy</b>                          |              |                    |              |                    |
| Current-year receipts  | 21,725,000   | 40,712,500         | 21,725,000   | 40,712,500         |
| Conditions met - transferred to revenue                      | (44,414,500) | (40,712,500)       | (44,414,500) | (40,712,500)       |
| Transfers  | 22,689,500   | -                  | 22,689,500   | -                  |
|  | -            | -                  | -            | -                  |
| Conditions still to be met - remain liabilities (see note 9) |              |                    |              |                    |

The municipality renders ambulance services on behalf of the provincial government and is reimbursed. The purpose of this subsidy is to ensure rapid and affect emergency care. This subsidy has been used exclusively to fund the rendering of ambulance services (included in the Emergency Medical Services vote in Appendix D). The conditions of the grant have been met. The subsidy for the last quarter of 2009/10 and the last 2 quarters of 2010/11 have not been paid over the municipality yet and a debtor was created to the value of R32 639 500.

The percentage of expenditure incurred refunded during the financial year = 55.49% (2010 = 49.40% and 2009 = 69.51%)

### Gauteng Sport & Recreation (Loftus Upgrade) (DoRA)

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| Balance unspent at beginning of year    | 9,851,876    | 38,279,649   | 9,851,876    | 38,279,649   |
| Current-year receipts                   | 2,270,328    | 5,737,676    | 2,270,328    | 5,737,676    |
| Conditions met - transferred to revenue | (12,122,204) | (34,165,449) | (12,122,204) | (34,165,449) |
|   | -            | 9,851,876    | -            | 9,851,876    |

Conditions still to be met - remain liabilities (see note 9)

This grant was received for the upgrade of sporting facilities during the 2010 Soccer World Cup.

### Department of Water Affairs & Forestry (DoRA)

|   |              |              |             |             |
|---|--------------|--------------|-------------|-------------|
| Balance unspent at beginning of year    | 8,214,447    | 16,011,093   | 2,534,254   | 2,332,660   |
| Transfer                                | (100)        | -            | (100)       | -           |
| Current-year receipts                   | 11,257,000   | 9,304,750    | 5,280,000   | 9,304,750   |
| Conditions met - transferred to revenue | (16,030,008) | (17,101,396) | (6,664,316) | (9,103,156) |
|   | 3,441,339    | 8,214,447    | 1,149,838   | 2,534,254   |

Conditions still to be met - remain liabilities (see note 9)

The balance consists of the allocation received for 2011/12 (received in advance).

The purpose of this grant is to subsidise and build capacity in water schemes owned and/or operated by the Department of Water Affairs or by other agencies on behalf of the department and transfer these schemes to local government. This grant was received for the supply of water services for community upliftment.

### Electricity for All (INEP) and Electricity Demand Side (DoRA)

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| Balance unspent at beginning of year    | 1,139,262    | 4,281,858    | 1,139,262    | 4,281,858    |
| Current-year receipts                   | 78,000,000   | 52,778,000   | 78,000,000   | 52,778,000   |
| Conditions met - transferred to revenue | (75,081,831) | (55,920,596) | (75,081,831) | (55,920,596) |
|   | 4,057,431    | 1,139,262    | 4,057,431    | 1,139,262    |

Conditions still to be met - remain liabilities (see note 9)

Request was submitted for the roll forward of the unspent portion at year end as the projects has already been committed in the next financial year.

The purpose of the grant is to implement the Integrated National Electrification Program (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group       |                    | Municipality |                    |
|--|-------------|--------------------|--------------|--------------------|
|  | 2011<br>R   | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |
| <b>25. Government grants and subsidies (continued)</b> |             |                    |              |                    |
| <b>Finance Management Grant (FMG) (DoRA)</b>           |             |                    |              |                    |
| Balance unspent at beginning of year                   | 843,155     | 1,515,239          | 843,155      | 1,515,239          |
| Current-year receipts                                  | 1,000,000   | 750,000            | 1,000,000    | 750,000            |
| Conditions met - transferred to revenue                | (1,843,155) | (1,422,084)        | (1,843,155)  | (1,422,084)        |
|  | -           | 843,155            | -            | 843,155            |

Conditions still to be met - remain liabilities (see note 9)

Request was submitted for the roll forward of the unspent portion at year end as the projects has already been committed in the next financial year.

The purpose of this grant is to promote support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA). As part of strengthening financial and asset management in municipalities the grant provides funding for water and energy internship program to graduates in selected ward boards and municipalities. No funds have been withheld.

### Restructuring grant (DoRA)

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| Balance unspent at beginning of year    | 11,479,345   | 41,106,512   | 11,479,345   | 41,106,512   |
| Conditions met - transferred to revenue | (11,315,919) | (29,627,167) | (11,315,919) | (29,627,167) |
|   | 163,426      | 11,479,345   | 163,426      | 11,479,345   |

Conditions still to be met - remain liabilities (see note 9)

Request was submitted for the roll forward of the unspent portion at year end as the projects has already been committed in the next financial year.

This grant is funded by National Treasury to assist Local Government Pilot Municipalities with Institutional Financial and Economic restructuring in line with the City Development Strategy, which is aligned to the National Government's Development Strategy. No funds were withheld.

### Housing Grants (Provincial)

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| Balance unspent at beginning of year    | (29,132,756) | 33,941,036   | (29,132,756) | 33,941,036   |
| Current-year receipts                   | 124,894,000  | 31,967,422   | 124,894,000  | 31,967,422   |
| Conditions met - transferred to revenue | (22,834,017) | (31,125,637) | (22,834,017) | (31,125,637) |
| Transfers                               | (26,082,191) | (63,915,577) | (26,082,191) | (63,915,577) |
|   | 46,845,036   | (29,132,756) | 46,845,036   | (29,132,756) |

Conditions still to be met - remain liabilities (see note 9)

The balance consists of the allocation for 2011/12 received in advance.

Government approved a comprehensive housing strategy to speed up housing delivery and develop sustainable human settlements. The Gauteng Department of Housing approve housing subsidies and projects and provide support to municipalities for housing development. Municipalities are responsible for the provision and ongoing operation of associated bulk and distribution infrastructure and services, such as water, sanitation, roads and in many cases electricity.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group         |                       | Municipality  |                       |
|--|---------------|-----------------------|---------------|-----------------------|
|  | 2011<br>R     | Restated<br>2010<br>R | 2011<br>R     | Restated<br>2010<br>R |
| <b>25. Government grants and subsidies (continued)</b>   |               |                       |               |                       |
| <b>Municipal System Improvement Grant (MSIG) (DoRA)</b>  |               |                       |               |                       |
| Balance unspent at beginning of year   | 28            | 498,400               | 28            | 498,400               |
| Conditions met - transferred to revenue  | (28)          | (498,372)             | (28)          | (498,372)             |
|  | <hr/>         | <hr/>                 | <hr/>         | <hr/>                 |
|  | -             | 28                    | -             | 28                    |
| Conditions still to be met - remain liabilities (see note 9)   |               |                       |               |                       |
| The R28 balance of the previous financial year has been recognised as revenue during 2010/11. The balance was due to an administrative error during the previous financial year.   |               |                       |               |                       |
| This grant was used to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act of 2000 and related legislation, policies and local government turnaround strategy. |               |                       |               |                       |
| <b>Municipal Infrastructure Grant (MIG) (DoRA)</b>   |               |                       |               |                       |
| Balance unspent at beginning of year   | 36,080,486    | 34,572,314            | 36,080,486    | 34,572,314            |
| Current-year receipts  | 314,739,000   | 342,079,000           | 314,739,000   | 342,079,000           |
| Conditions met - transferred to revenue  | (374,754,167) | (342,629,313)         | (374,754,167) | (342,629,313)         |
| Transfers  | 23,934,681    | 2,058,485             | 23,934,681    | 2,058,485             |
|  | <hr/>         | <hr/>                 | <hr/>         | <hr/>                 |
|  | -             | 36,080,486            | -             | 36,080,486            |
| Conditions still to be met - remain liabilities (see note 9)   |               |                       |               |                       |
| The grant is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. No funds have been withheld.  |               |                       |               |                       |
| <b>Public Transport Infrastructure System Grant (PTIS) (DoRA)</b>  |               |                       |               |                       |
| Balance unspent at beginning of year   | 264,094,990   | 207,683,644           | 264,094,990   | 207,683,644           |
| Current-year receipts  | 100,000,000   | 421,054,000           | 100,000,000   | 421,054,000           |
| Conditions met - transferred to revenue  | (81,630,964)  | (364,642,654)         | (81,630,964)  | (364,642,654)         |
| Transfer (correction of incorrect allocation)  | (144,494)     | -                     | (144,494)     | -                     |
|  | <hr/>         | <hr/>                 | <hr/>         | <hr/>                 |
|  | 282,319,532   | 264,094,990           | 282,319,532   | 264,094,990           |
| Conditions still to be met - remain liabilities (see note 9)   |               |                       |               |                       |
| Request was submitted to National Treasury and Department of Transport for the roll forward of the unspent portion at year end as the projects have already been committed in the next financial year.   |               |                       |               |                       |
| The purpose of this grant is to provide for accelerated planning, construction and improvement of public and non-motorised transport networks.   |               |                       |               |                       |
| <b>HIV and AIDS (Provincial Health Department) (Provincial)</b>  |               |                       |               |                       |
| Balance unspent at beginning of year   | 929,728       | 2,342,602             | 929,728       | 2,342,602             |
| Current-year receipts  | 1,000,000     | -                     | 1,000,000     | -                     |
| Conditions met - transferred to revenue  | (1,626,676)   | (1,500,000)           | (1,626,676)   | (1,500,000)           |
| Prior year restatements  | -             | 87,126                | -             | 87,126                |
|  | <hr/>         | <hr/>                 | <hr/>         | <hr/>                 |
|  | 303,052       | 929,728               | 303,052       | 929,728               |
| Conditions still to be met - remain liabilities (see note 9)   |               |                       |               |                       |
| Request was submitted for the roll forward of the unspent portion at year end as the projects has already been committed in the next financial year.   |               |                       |               |                       |
| The purpose of this grant is to sustain and extend coverage of the ward based door to door education program with referrals to local services; to build communities and support and utilise local services appropriately and to support ward structures to address AIDS in the local community.        |               |                       |               |                       |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

### 25. Government grants and subsidies (continued)

#### 2010 Host Cities (DoRA)

|   |                  |                   |                  |                   |
|---|------------------|-------------------|------------------|-------------------|
| Balance unspent at beginning of year    | 17,721,573       | 40,000,000        | 17,721,573       | 40,000,000        |
| Current-year receipts                   | 10,900,000       | 37,800,000        | 10,900,000       | 37,800,000        |
| Conditions met - transferred to revenue | (26,495,772)     | (49,178,427)      | (26,495,772)     | (49,178,427)      |
| Transfers                               | -                | (10,900,000)      | -                | (10,900,000)      |
|   | <u>2,125,801</u> | <u>17,721,573</u> | <u>2,125,801</u> | <u>17,721,573</u> |

Conditions still to be met - remain liabilities (see note 9)

The balance is due to payments that could not be affected in time for the year end closure and the payments will be done within the 2011/12 financial year.

This grant is received for the expenditures of the 2010 World Cup Soccer Host Cities.

#### Monument Golf Club donation

|                                      |           |                |           |                |
|--------------------------------------|-----------|----------------|-----------|----------------|
| Balance unspent at beginning of year | 214,837   | 214,837        | 214,837   | 214,837        |
| Transfers                            | (214,837) | -              | (214,837) | -              |
|                                      | <u>-</u>  | <u>214,837</u> | <u>-</u>  | <u>214,837</u> |

Conditions still to be met - remain liabilities (see note 9)

The balance of 2009/10 will be utilised during the 2010/11 financial year to finalise the project.

This amount relates to a donation that was received from the Monument Golf Club to build a golf driving range in Mabopane.

#### Neighbourhood Development Program (DoRA)

|   |                |             |                |             |
|---|----------------|-------------|----------------|-------------|
| Balance unspent at beginning of year    | 1              | 6,725,126   | 1              | 6,725,126   |
| Current-year receipts                   | 11,116,460     | -           | 11,116,460     | -           |
| Conditions met - transferred to revenue | (10,734,648)   | (6,725,125) | (10,734,648)   | (6,725,125) |
|   | <u>381,813</u> | <u>1</u>    | <u>381,813</u> | <u>1</u>    |

Conditions still to be met - remain liabilities (see note 9).

Request was submitted for the roll forward of the unspent portion at year end as the projects has already been committed in the next financial year.

The purpose of this grant is to support neighbourhood development projects that provide community infrastructure and create the platform for other public and private sector development towards improving the quality of life of residents in targeted underserved neighbourhoods (townships generally).

#### Bontle ke Botho

|   |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| Balance unspent at beginning of year    | 880,150        | 1,563,400      | 880,150        | 1,563,400      |
| Current-year receipts                   | 380,000        | -              | 380,000        | -              |
| Conditions met - transferred to revenue | (738,700)      | (683,250)      | (738,700)      | (683,250)      |
|   | <u>521,450</u> | <u>880,150</u> | <u>521,450</u> | <u>880,150</u> |

Conditions still to be met - remain liabilities (see note 9).

The unspent portion of this award as at 30 June will normally roll forward for usage in projects during the next financial year due to the timing of the receipt of the prize money.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group     | Municipality       |           |
|--|-----------|--------------------|-----------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R |

### 25. Government grants and subsidies (continued)

#### Community Library Services (Provincial Department of Sport, Arts, Culture and Recreation)

|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| Balance unspent at beginning of year    | 3,334,231        | 574,935          | 3,334,231        | 574,935          |
| Current-year receipts                   | 6,220,000        | 6,028,000        | 6,220,000        | 6,028,000        |
| Conditions met - transferred to revenue | (6,427,479)      | (3,268,704)      | (6,427,479)      | (3,268,704)      |
| Transfers                               | (1,453,605)      | -                | (1,453,605)      | -                |
|   | <u>1,673,147</u> | <u>3,334,231</u> | <u>1,673,147</u> | <u>3,334,231</u> |

Conditions still to be met - remain liabilities (see note 9).

The purpose of the grant is to have transformed urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised program at provincial and local government level.

#### DACE (Department Agriculture, Conservation and Environmental) (Provincial)

|   |           |                |           |                |
|---|-----------|----------------|-----------|----------------|
| Balance unspent at beginning of year    | 102,450   | 6,250          | 102,450   | 6,250          |
| Current-year receipts                   | -         | 150,000        | -         | 150,000        |
| Conditions met - transferred to revenue | (102,450) | (53,800)       | (102,450) | (53,800)       |
|   | <u>-</u>  | <u>102,450</u> | <u>-</u>  | <u>102,450</u> |

Conditions still to be met - remain liabilities (see note 9).

The purpose of the grant is to ensure a sustainable environment, equitable agricultural development and an efficient waste management service through innovative use of technologies in partnership with stakeholders.

#### Local Economic Development (Provincial)

|                                      |                  |                |                  |                |
|--------------------------------------|------------------|----------------|------------------|----------------|
| Balance unspent at beginning of year | 192,578          | 2,674,709      | 192,578          | 2,674,709      |
| Current-year receipts                | 8,750,000        | -              | 8,750,000        | -              |
| Other (corrections and transfers)    | (192,578)        | (2,482,131)    | (192,578)        | (2,482,131)    |
|                                      | <u>8,750,000</u> | <u>192,578</u> | <u>8,750,000</u> | <u>192,578</u> |

Conditions still to be met - remain liabilities (see note 9).

The balance consists of the new allocation for 2011/12 which was received in advance.

The purpose of the grant is to support Tshwane to improve government services in Winterveldt through the Urban Renewal Program for Winterveldt.

#### Gautrans job creation (DoRA)

|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| Balance unspent at beginning of year    | 1,553,167        | -                | 1,553,167        | -                |
| Conditions met - transferred to revenue | (144,956)        | -                | (144,956)        | -                |
| Transfers                               | -                | 1,553,167        | -                | 1,553,167        |
|   | <u>1,408,211</u> | <u>1,553,167</u> | <u>1,408,211</u> | <u>1,553,167</u> |

Conditions still to be met - remain liabilities (see note 9).

The balance consist of funds from the previous financial year, a request was received from the relevant Department for the rollover of the balance as the projects have already been committed in the next financial year.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group            |                    | Municipality     |                    |
|--|------------------|--------------------|------------------|--------------------|
|  | 2011<br>R        | Restated 2010<br>R | 2011<br>R        | Restated 2010<br>R |
| <b>25. Government grants and subsidies (continued)</b> |                  |                    |                  |                    |
| <b>Expanded Public Works Program (EPWP) (DoRA)</b>     |                  |                    |                  |                    |
| Balance unspent at beginning of year                   | 454,357          | - (317,680)        | 454,357          | - (317,680)        |
| Conditions met - transferred to revenue                | -                | -                  | -                | -                  |
| Transfers  | <u>(454,357)</u> | <u>772,037</u>     | <u>(454,357)</u> | <u>772,037</u>     |
|  | <u>-</u>         | <u>454,357</u>     | <u>-</u>         | <u>454,357</u>     |

Conditions still to be met - remain liabilities (see note 9).

The purpose of this grant is to encourage local authorities and provincial departments to increase job creation efforts in infrastructure, environment and culture programs through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Program guidelines.

### NDMC Reservists (Donation)

|   |                    |                  |                    |                  |
|---|--------------------|------------------|--------------------|------------------|
| Balance unspent at beginning of year    | 1,364,650          | -                | 1,364,650          | -                |
| Current-year receipts                   | -                  | 1,600,000        | -                  | 1,600,000        |
| Conditions met - transferred to revenue | <u>(1,364,650)</u> | <u>(235,350)</u> | <u>(1,364,650)</u> | <u>(235,350)</u> |
|   | <u>-</u>           | <u>1,364,650</u> | <u>-</u>           | <u>1,364,650</u> |

Conditions still to be met - remain liabilities (see note 9).

Funding was received for the appointment of 80 reservist fire fighters during the 2010 Soccer World Cup.

### Blue IQ

|                       |                   |          |                   |          |
|-----------------------|-------------------|----------|-------------------|----------|
| Current-year receipts | <u>39,998,820</u> | <u>-</u> | <u>39,998,820</u> | <u>-</u> |
|-----------------------|-------------------|----------|-------------------|----------|

Conditions still to be met - remain liabilities (see note 9).

The amount was received in advance and will be ring-fenced until the project has been finalised.

The amount was received with the purpose of ring-fencing a contribution towards bulk contributions for electricity infrastructure supply.

### LG SETA Merit awards

|   |                 |          |                 |          |
|---|-----------------|----------|-----------------|----------|
| Current-year receipts                   | 24,375          | -        | 24,375          | -        |
| Conditions met - transferred to revenue | <u>(24,375)</u> | <u>-</u> | <u>(24,375)</u> | <u>-</u> |
| Transfers                               | 5,625           | -        | 5,625           | -        |
|   | <u>5,625</u>    | <u>-</u> | <u>5,625</u>    | <u>-</u> |

Conditions still to be met - remain liabilities (see note 9).

The balance is due to VAT calculations and could not be spent before the yearend on another data projector as the balance is too low and the balance will be carried over as this is an award and not a grant.

This money is an award for skills development. The purpose is to strengthen the municipality's capacity in relation to skills development for the purpose of training the Skills Development Facilitator or employees within the Human Resources/Skills Development Department or to enhance the capacity of the Training Committee.

### Event sponsorship

|   |                  |          |                  |          |
|---|------------------|----------|------------------|----------|
| Current-year receipts                   | 258,268          | -        | 258,268          | -        |
| Conditions met - transferred to revenue | <u>(258,268)</u> | <u>-</u> | <u>(258,268)</u> | <u>-</u> |
|   | <u>-</u>         | <u>-</u> | <u>-</u>         | <u>-</u> |

Conditions still to be met - remain liabilities (see note 9).

This amount was received as a sponsorship for the Mayoral Lekgotla.

**City of Tshwane Metropolitan Municipality**  
Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

**25. Government grants and subsidies (continued)**

**Sport and Recreation**

|                       |         |   |         |   |
|-----------------------|---------|---|---------|---|
| Current-year receipts | 515,977 | - | 515,977 | - |
|-----------------------|---------|---|---------|---|

Conditions still to be met - remain liabilities (see note 9).

The amount received could not be utilised in time during the 2010/11 financial year due to the delays in the tender processes.

This amount was received during 2010/11 for the HM Pitje Stadium.

**Changes in level of government grants**

Based on the allocations set out in the Division of Revenue Act no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

**26. Other income**

|                                     |             |             |             |             |
|-------------------------------------|-------------|-------------|-------------|-------------|
| Market fees                         | 90,463,491  | 87,691,458  | 90,463,491  | 87,691,458  |
| Land sales                          | 2,510,040   | 15,578,827  | 2,510,040   | 15,578,827  |
| Reconnection fees                   | 97,390,357  | 104,078,769 | 97,390,357  | 104,078,769 |
| Sewerage: Industrial effluent       | 32,045,351  | 26,570,105  | 32,045,351  | 26,570,105  |
| Sale of unusable stock              | 2,360,261   | 196,300     | 2,360,261   | 196,300     |
| Drain cleaning fees                 | 1,167,399   | 1,057,961   | 1,167,399   | 1,057,961   |
| Sundry services                     | -           | 15,960,507  | -           | 15,960,507  |
| Interest on property sales          | 2,683,774   | (158,681)   | 2,683,774   | (158,681)   |
| Donated: Assets                     | 8,530,000   | 7,730,436   | 8,530,000   | 7,730,436   |
| Dumping fees                        | 17,741,365  | 12,124,146  | 17,741,365  | 12,124,146  |
| Building plan fees                  | 24,344,682  | 21,943,483  | 24,344,682  | 21,943,483  |
| Income from grave services          | 5,050,730   | 4,504,060   | 5,050,730   | 4,504,060   |
| Refund: Motor vehicles licences     | 62,170,777  | 79,298,689  | 62,170,777  | 79,298,689  |
| Training fees recovered             | 11,258,435  | 12,630,314  | 11,258,435  | 12,630,314  |
| Gain: Review useful life/fair value | 64,039,184  | 3,347,150   | 64,039,184  | 3,347,150   |
| Insurance claims                    | 40,830,086  | 59,617,066  | 40,830,086  | 59,617,066  |
| Connection fees: Urban areas        | 5,246,375   | 4,289,307   | 5,246,375   | 4,289,307   |
| Sundry fees                         | 42,882,327  | 87,179,292  | 4,671,854   | 9,807,465   |
| Airside income                      | 3,467,362   | 3,457,513   | 3,467,362   | 3,457,513   |
| Ambulance fees                      | 4,460,593   | 6,717,918   | 4,460,593   | 6,717,918   |
| Reminder fees                       | 32,456,527  | 24,824,603  | 32,456,527  | 24,824,603  |
| Discount on prompt payments         | 1,215,931   | 5,858,788   | 1,215,931   | 5,858,788   |
| Approval fees: advertisements       | 35,093,842  | 28,809,329  | 35,093,842  | 28,809,329  |
| Connection fees                     | 16,789,956  | 14,092,960  | 16,789,956  | 14,092,960  |
| Cemetery fees                       | 4,917,841   | 5,046,576   | 4,917,841   | 5,046,576   |
| Application fees                    | 2,672,975   | 2,310,114   | 2,672,975   | 2,310,114   |
| Income from bulk containers         | 31,105,443  | 26,374,866  | 31,105,443  | 26,374,866  |
| Sales: Aeroplane fuel               | 27,855,176  | 26,633,706  | 27,855,176  | 26,633,706  |
| Transport fees                      | 35,503,357  | 45,142,078  | 35,503,357  | 45,142,078  |
| Miscellaneous                       | 104,915,229 | 63,775,914  | 104,915,229 | 63,775,914  |
|                                     | 811,168,866 | 796,683,554 | 772,958,393 | 719,311,727 |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group                |                      | Municipality         |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 2011<br>R            | Restated 2010<br>R   | 2011<br>R            | Restated 2010<br>R   |
| <b>27. Employee related costs</b>  |                      |                      |                      |                      |
| Salaries and wages   | 2,882,098,095        | 2,383,122,634        | 2,814,737,909        | 2,330,164,524        |
| Medical aid contributions  | 217,848,969          | 192,948,048          | 217,848,969          | 192,948,048          |
| UIF  | 22,910,482           | 18,170,362           | 22,910,482           | 18,170,362           |
| Pension fund contributions   | 456,192,488          | 396,971,353          | 456,192,488          | 396,971,353          |
| Travel, motor car, accommodation, subsistence and other allowances   | 224,086,584          | 200,649,091          | 224,086,584          | 200,649,091          |
| Overtime payments  | 284,968,204          | 190,399,644          | 284,968,204          | 190,399,644          |
| Long-service awards  | 8,192,846            | 8,004,742            | 8,192,846            | 8,004,742            |
| Performance bonus  | 206,917              | 215,146              | 206,917              | 215,146              |
| Other allowances   | 161,571,464          | 138,102,946          | 161,571,464          | 138,102,946          |
| Housing benefits and allowances  | 21,423,613           | 24,161,394           | 21,423,613           | 24,161,394           |
| Compensation Commissioner (COIDA)  | 24,826,289           | 19,573,866           | 24,826,289           | 19,573,866           |
|  | <b>4,304,325,951</b> | <b>3,572,319,226</b> | <b>4,236,965,765</b> | <b>3,519,361,116</b> |
| <b>Remuneration of City Manager</b>  |                      |                      |                      |                      |
| Annual Remuneration  | 767,432              | 894,365              | 767,432              | 894,365              |
| Car Allowance  | -                    | 128,400              | -                    | 128,400              |
| Contributions to UIF, Medical and Pension Funds  | 38,208               | -                    | 38,208               | -                    |
| Cell phone allowance   | 9,600                | 12,000               | 9,600                | 12,000               |
| Non pension allowance  | 290,692              | 254,899              | 290,692              | 254,899              |
|  | <b>1,105,932</b>     | <b>1,289,664</b>     | <b>1,105,932</b>     | <b>1,289,664</b>     |
| The incumbent was acting for the 2010/11 financial year.   |                      |                      |                      |                      |
| <b>Remuneration of Chief Financial Officer</b>   |                      |                      |                      |                      |
| Annual Remuneration  | 767,424              | 844,432              | 767,424              | 844,432              |
| Car Allowance  | 60,000               | 132,000              | 60,000               | 132,000              |
| Contributions to UIF, Medical and Pension Funds  | 15,442               | 14,726               | 15,442               | 14,726               |
| Cell phone allowance   | 9,600                | 10,800               | 9,600                | 10,800               |
| Non pension allowance  | 344,810              | 108,030              | 344,810              | 108,030              |
|  | <b>1,197,276</b>     | <b>1,109,988</b>     | <b>1,197,276</b>     | <b>1,109,988</b>     |
| The position of Chief Financial Officer became vacant since 30 September 2010 and the incumbent was acting since 1 October 2010. |                      |                      |                      |                      |
| <b>Remuneration of strategic executive directors</b>   |                      |                      |                      |                      |
| Annual Remuneration  | 12,293,081           | 8,134,484            | 8,134,484            | 8,134,484            |
| Car Allowance  | 2,140,800            | 1,271,000            | 1,271,000            | 1,271,000            |
| Contributions to UIF, Medical and Pension Funds  | 693,918              | 368,378              | 693,918              | 368,378              |
| Cell phone allowance   | 121,200              | 96,000               | 121,200              | 96,000               |
| Non pension allowance  | 2,433,685            | 1,714,395            | 2,433,685            | 1,714,395            |
|  | <b>17,682,684</b>    | <b>11,584,257</b>    | <b>12,654,287</b>    | <b>11,584,257</b>    |
| <b>Remuneration: Technical services</b>  |                      |                      |                      |                      |
| Annual Remuneration  | 2,402,862            | 223,308              | 2,402,862            | 223,308              |
| Car Allowance  | 432,000              | 54,000               | 432,000              | 54,000               |
| Contributions to UIF, Medical and Pension Funds  | 129,840              | -                    | 129,840              | -                    |
| Cell phone allowance   | 97,200               | -                    | 37,200               | -                    |
| Non pension allowance  | 467,958              | 41,704               | 467,958              | 41,704               |
|  | <b>3,529,860</b>     | <b>319,012</b>       | <b>3,469,860</b>     | <b>319,012</b>       |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group              |                    | Municipality       |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 2011<br>R          | Restated 2010<br>R | 2011<br>R          | Restated 2010<br>R |
| <b>27. Employee related costs (continued)</b>  |                    |                    |                    |                    |
| <b>Remuneration: Corporate services</b>  |                    |                    |                    |                    |
| Annual Remuneration  | 4,986,635          | 2,607,538          | 4,986,635          | 2,607,538          |
| Car Allowance  | 1,118,400          | 573,000            | 1,118,400          | 573,000            |
| Contributions to UIF, Medical and Pension Funds  | 61,918             | 14,726             | 61,918             | 14,726             |
| Cell phone allowances  | 18,000             | 20,400             | 18,000             | 20,400             |
| Non pension allowance  | 956,751            | 397,356            | 956,751            | 397,356            |
|  | <u>7,141,704</u>   | <u>3,613,020</u>   | <u>7,141,704</u>   | <u>3,613,020</u>   |
| <b>Remuneration: Community services</b>  |                    |                    |                    |                    |
| Annual Remuneration  | 4,903,584          | 5,303,638          | 4,903,584          | 5,303,638          |
| Car Allowance  | 590,400            | 644,000            | 590,400            | 644,000            |
| Contributions to UIF, Medical and Pension Funds  | 502,160            | 353,653            | 502,160            | 353,653            |
| Cell phone allowances  | 66,000             | 75,600             | 66,000             | 75,600             |
| Non pension allowance  | 1,008,976          | 1,275,335          | 1,008,976          | 1,275,335          |
|  | <u>7,071,120</u>   | <u>7,652,226</u>   | <u>7,071,120</u>   | <u>7,652,226</u>   |
| <b>28. Remuneration of councillors</b>   |                    |                    |                    |                    |
| Executive Mayor's allowance  | 977                | 28,364             | 977                | 28,364             |
| Councillors allowances   | 39,454,784         | 35,861,846         | 39,454,784         | 35,861,846         |
| Councillors' pension contribution  | 3,339,855          | 3,504,093          | 3,339,855          | 3,504,093          |
| Travelling allowance   | 15,737,707         | 13,652,528         | 15,737,707         | 13,652,528         |
| Councillor's medical contributions   | 982,387            | 1,034,125          | 982,387            | 1,034,125          |
| Councillor's housing allowance   | 2,196,180          | 1,972,794          | 2,196,180          | 1,972,794          |
|  | <u>61,711,890</u>  | <u>56,053,750</u>  | <u>61,711,890</u>  | <u>56,053,750</u>  |
| <b>In-kind benefits</b>  |                    |                    |                    |                    |
| The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Municipality. |                    |                    |                    |                    |
| According to the organisational structure of the parent the Sub-section Executive Mayor Protection has 7 staff members of which 5 are VIP protection officers.                             |                    |                    |                    |                    |
| <b>29. Depreciation and amortisation</b>   |                    |                    |                    |                    |
| Depreciation: Property, plant & equipment  | 683,944,981        | 648,842,943        | 680,498,172        | 645,805,107        |
| Depreciation: Leased assets  | 97,025,016         | 101,289,062        | 97,025,016         | 101,289,062        |
| Depreciation: Rehabilitation assets  | 34,807,683         | 23,912,061         | 34,807,683         | 23,912,061         |
|  | <u>815,777,680</u> | <u>774,044,066</u> | <u>812,330,871</u> | <u>771,006,230</u> |
| <b>30. Finance costs (Interest paid)</b>   |                    |                    |                    |                    |
| Long-term liabilities (external loans)   | 524,952,697        | 517,957,441        | 524,395,348        | 517,286,487        |
| Finance leases   | 25,162,550         | 28,661,902         | 25,162,550         | 28,661,902         |
| Bank overdraft   | 5,929,714          | 25,294,355         | 5,579,624          | 23,769,311         |
| Other finance cost (bank charges, transit banking, etc)  | 26,126,555         | 14,994,082         | 26,126,555         | 14,994,082         |
| Amortisation: provisions   | 21,692,326         | 15,645,990         | 21,692,326         | 15,645,990         |
|  | <u>603,863,842</u> | <u>602,553,770</u> | <u>602,956,403</u> | <u>600,357,772</u> |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group                |                      | Municipality         |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 2011<br>R            | Restated 2010<br>R   | 2011<br>R            | Restated 2010<br>R   |
| <b>31. Investment revenue</b>  |                      |                      |                      |                      |
| <b>Interest revenue (interest received)</b>  |                      |                      |                      |                      |
| Bank   | 11,243,243           | 4,105,331            | 11,243,243           | 4,105,331            |
| Investments  | 2,924,815            | 1,801,591            | 2,028,943            | 987,107              |
| Long-term investments  | 88,210,251           | 78,861,628           | 88,210,251           | 78,861,628           |
| Contingency insurance  | 8,660,152            | 12,814,955           | 8,660,152            | 12,814,955           |
|  | <b>111,038,461</b>   | <b>97,583,505</b>    | <b>110,142,589</b>   | <b>96,769,021</b>    |
| <b>32. Debt impairment</b>   |                      |                      |                      |                      |
| Contributions to bad debt provision  | 418,518,436          | 763,960,583          | 385,680,104          | 728,233,394          |
| Amounts written off  | 291,277,836          | 313,122,808          | 254,007,230          | 286,323,774          |
|  | <b>709,796,272</b>   | <b>1,077,083,391</b> | <b>639,687,334</b>   | <b>1,014,557,168</b> |
| <b>33. Bulk purchases</b>  |                      |                      |                      |                      |
| Electricity  | 3,659,427,022        | 2,934,152,824        | 3,659,189,935        | 2,933,810,591        |
| Water  | 826,074,320          | 728,059,898          | 903,209,769          | 708,052,442          |
|  | <b>4,485,501,342</b> | <b>3,662,212,722</b> | <b>4,562,399,704</b> | <b>3,641,863,033</b> |
| <b>34. Grants and subsidies paid</b>   |                      |                      |                      |                      |
| <b>Other subsidies</b>   |                      |                      |                      |                      |
| Grants-In-Aid: Property Rates  | 27,625,621           | 12,544,162           | 27,625,621           | 12,544,162           |
| The grant-in-aid is in respect of the funding of Non-Governmental Organisation involved in empowerment programs for the following vulnerable groups: youth, children, women, people with disabilities and the elderly.   |                      |                      |                      |                      |
| The municipality has by way of majority decision awarded a grant-in-aid on the assessment rates of rateable properties on the classes referred to in section 32A of the Local Authorities Rating Ordinance, 1977 (Ordinance 11 of 1977), after the owner of such property has applied to the municipality in writing, for such grant-in-aid. |                      |                      |                      |                      |
| <b>35. General expenses</b>  |                      |                      |                      |                      |
| Rates and services   | 201,121,185          | 185,059,388          | 201,121,185          | 185,059,388          |
| Rental of property, plant and equipment  | 245,415,037          | 270,029,363          | 245,415,037          | 270,029,363          |
| Insurance  | 70,439,613           | 104,789,608          | 70,439,613           | 104,789,608          |
| Implementation: OITPS  | 55,355,243           | 59,474,352           | 55,355,243           | 59,474,352           |
| Restructuring/Transformation   | 11,243,136           | 41,939,843           | 11,243,136           | 41,939,843           |
| Leasing of property  | 133,997,853          | 142,792,145          | 133,997,853          | 142,792,145          |
| Advertising and marketing  | 11,621,889           | 7,997,255            | 11,621,889           | 7,997,255            |
| Employment benefit provision expense   | 329,957,429          | (141,015,467)        | 329,957,429          | (141,015,467)        |
| Consultant fees  | 37,284,646           | 39,828,436           | 37,284,646           | 39,828,436           |
| Private sector labour  | 71,453,308           | 57,762,063           | 71,453,308           | 57,762,063           |
| Electricity disconnections   | 63,587,860           | 56,112,494           | 63,587,860           | 56,112,494           |
| Telecommunication  | 60,068,037           | 56,215,623           | 60,068,037           | 56,215,623           |
| Service providers  | 71,350,276           | 89,170,640           | 107,284,026          | 89,775,531           |
| Project Linked Housing: Top structures   | 13,294,443           |                      | 13,294,443           |                      |
| Soccer World Cup 2010 related expenses   | 579,880              | 222,018,435          | 579,880              | 222,018,435          |
| Special projects   | 42,356,233           | 40,704,427           | 42,356,233           | 40,704,427           |
| Household refuse removal   | 97,224,053           | 122,372,986          | 97,224,053           | 122,372,986          |
| Prepaid Electricity Commission   | 5,397,019            | 5,052,433            | 5,397,019            | 5,052,433            |
| Hostel charges   | 147,511,036          | 105,685,318          | 147,511,036          | 105,685,318          |
| Other expenses   | 1,200,409,284        | 997,333,752          | 1,200,409,284        | 997,333,752          |
|  | <b>2,869,667,460</b> | <b>2,463,323,094</b> | <b>2,905,601,210</b> | <b>2,463,927,985</b> |
| Less: Interdepartmental charges  | (201,121,185)        | (185,059,388)        | (201,121,185)        | (185,059,388)        |
|  | <b>2,668,546,275</b> | <b>2,278,263,706</b> | <b>2,704,480,025</b> | <b>2,278,868,597</b> |

**City of Tshwane Metropolitan Municipality**  
Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

|  | Group                  |                        | Municipality           |                        |
|--|------------------------|------------------------|------------------------|------------------------|
|  | 2011<br>R              | Restated 2010<br>R     | 2011<br>R              | Restated 2010<br>R     |
| <b>36. Cash generated from operations</b>  |                        |                        |                        |                        |
| Surplus  | 407,097,920            | 490,888,080            | 393,640,727            | 459,909,882            |
| <b>Adjustments for:</b>  |                        |                        |                        |                        |
| Depreciation and amortisation  | 815,777,680            | 774,044,066            | 812,330,871            | 771,006,230            |
| (Loss) gain on sale of assets and liabilities  | (9,770,203)            | 3,136,698              | (9,776,391)            | 3,127,136              |
| Fair value adjustments   | (5,692,441)            | 3,371,166              | 498,573                | 3,371,166              |
| Impairment deficit   | 490,306                | 22,025,456             | 490,306                | 22,025,456             |
| Debt impairment  | 709,796,272            | 1,077,083,391          | 639,687,334            | 1,014,557,168          |
| Movements in retirement benefit assets and liabilities   | 329,957,429            | (141,015,467)          | 329,957,429            | (141,015,467)          |
| Movements in provisions  | 48,801,046             | (47,081,112)           | 48,529,029             | (47,161,838)           |
| <b>Changes in working capital:</b>   |                        |                        |                        |                        |
| Inventories  | (113,861,316)          | 47,871,435             | (141,702,938)          | 59,238,699             |
| Other debtors  | 21,874,595             | 79,170,575             | (6,144,275)            | 20,483,047             |
| Consumer debtors   | (917,071,687)          | (749,478,433)          | (859,305,878)          | (688,762,873)          |
| Trade and other payables from exchange transactions  | 271,491,089            | 324,249,862            | 317,201,122            | 394,052,351            |
| VAT  | (15,507,345)           | 75,898,300             | (18,822,306)           | 80,138,049             |
| Unspent conditional grants and receipts  | 63,192,105             | (39,592,509)           | 66,580,797             | (31,594,269)           |
| Consumer deposits  | 37,810,000             | 36,563,685             | 37,346,777             | 36,749,490             |
| <b>1,644,385,450</b>   | <b>1,957,135,193</b>   | <b>1,610,511,177</b>   | <b>1,956,124,227</b>   |                        |
| <b>37. Utilisation of Long-term liabilities reconciliation</b>   |                        |                        |                        |                        |
| Long-term liabilities raised   | 5,756,745,210          | 4,932,482,034          | 5,752,701,117          | 4,927,395,052          |
| Used to finance property, plant and equipment  | (8,374,369,154)        | (6,814,811,397)        | (8,374,369,154)        | (6,814,811,397)        |
| (2,617,623,944)  |                        |                        |                        |                        |
| Cash set aside for the repayment of long-term liabilities  | (458,973,046)          | (1,882,329,363)        | (2,621,668,037)        | (1,887,416,345)        |
|  |                        |                        |                        |                        |
|  | <b>(3,076,596,990)</b> | <b>(2,558,127,285)</b> | <b>(3,080,641,083)</b> | <b>(2,563,214,267)</b> |
| Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date. Included in the amount used to finance property, plant & equipment (2009 = R5 832 746 578; 2008 = R3 474 287 272) is temporary advances (2009 = R1 148 180 881; 2008 = R761 199 084) which were temporarily financed out of revenue in expectation of the receipt of external loans over the year end. |                        |                        |                        |                        |
| <b>38. Additional disclosure in terms of Municipal Finance Management Act</b>  |                        |                        |                        |                        |
| <b>Contributions to organised local government</b>   |                        |                        |                        |                        |
| Current year subscription / fee  | 1,816,320              | 1,542,659              | 1,816,320              | 1,542,659              |
| Amount paid - current year   | (1,816,320)            | (1,542,659)            | (1,816,320)            | (1,542,659)            |
|  | <b>-</b>               | <b>-</b>               | <b>-</b>               | <b>-</b>               |
| <b>Audit fees</b>  |                        |                        |                        |                        |
| Opening balance  | 2,771,734              | 2,354,194              | 2,771,734              | 2,354,194              |
| Current year audit fee   | 16,123,383             | 14,421,268             | 14,333,412             | 13,060,947             |
| Amount paid - current year   | (17,075,133)           | (11,649,534)           | (15,285,162)           | (10,289,213)           |
| Amount paid - previous years   | (2,771,734)            | (2,354,194)            | (2,771,734)            | (2,354,194)            |
|  | <b>(951,750)</b>       | <b>2,771,734</b>       | <b>(951,750)</b>       | <b>2,771,734</b>       |

The balance of the previous financial year was paid in the following financial year.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group                  |                      | Municipality             |                      |
|--|------------------------|----------------------|--------------------------|----------------------|
|  | 2011<br>R              | Restated 2010<br>R   | 2011<br>R                | Restated 2010<br>R   |
| <b>38. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>        |                        |                      |                          |                      |
| <b>PAYE and UIF</b>  |                        |                      |                          |                      |
| Opening balance  | 41,146,641             | 34,138,627           | 40,221,054               | 33,748,162           |
| Current year payroll deductions  | 595,323,874            | 465,662,369          | 586,725,257              | 459,347,376          |
| Amount paid - current year   | <u>(543,508,123)</u>   | <u>(424,515,728)</u> | <u>(535,558,815)</u>     | <u>(419,126,322)</u> |
| Amount paid - previous years   | <u>(41,146,641)</u>    | <u>(34,138,627)</u>  | <u>(40,221,054)</u>      | <u>(33,748,162)</u>  |
| <b>51,815,751</b>  |                        | <b>41,146,641</b>    | <b>51,166,442</b>        | <b>40,221,054</b>    |
| <b>Pension and Medical Aid Deductions</b>  |                        |                      |                          |                      |
| Current year payroll deductions and council contributions  | 1,010,723,288          | 877,169,483          | 1,003,253,545            | 877,169,483          |
| Amount paid - current year   | <u>(1,010,723,288)</u> | <u>(877,169,483)</u> | <u>(1,003,253,545)</u>   | <u>(877,169,483)</u> |
| -  |                        |                      |                          |                      |
| <b>VAT</b>   |                        |                      |                          |                      |
| VAT receivable   | -                      | 2,740,752            | -                        | -                    |
| VAT payable  | <u>(146,482,898)</u>   | <u>(164,730,995)</u> | <u>(144,462,998)</u>     | <u>(163,285,304)</u> |
| <b>(146,482,898)</b>   |                        | <b>(161,990,243)</b> | <b>(144,462,998)</b>     | <b>(163,285,304)</b> |
| VAT output payables and VAT input receivables are shown in note 10.                              |                        |                      |                          |                      |
| All VAT returns have been submitted by the due date throughout the year.                         |                        |                      |                          |                      |
| <b>Councillors' arrear consumer accounts</b>   |                        |                      |                          |                      |
| The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011: |                        |                      |                          |                      |
| <b>30 June 2011 arrangements</b>   |                        | Without payoff       | With payoff arrangements | Total R              |
| Ledwaba D C  |                        | <b>129</b>           | -                        | <b>129</b>           |
| <b>30 June 2010 arrangements</b>   |                        | Without payoff       | With payoff arrangements | Total R              |
| Buthelezi F J & N L E  | 10,947                 | -                    | -                        | 10,947               |
| Buthelezi M M  | -                      | 19,625               | -                        | 19,625               |
| Gumede K K & D F   | -                      | 2,239                | -                        | 2,239                |
| Kekana C   | 259                    | -                    | -                        | 259                  |
| Kekana M H & M A   | -                      | 3,571                | -                        | 3,571                |
| Kgashane S   | 4,448                  | 1,576                | -                        | 6,024                |
| Ledwaba D C  | -                      | 492                  | -                        | 492                  |
| Mathekga C M   | 12,835                 | -                    | -                        | 12,835               |
| Matjokana K W & N Y  | -                      | 48,148               | -                        | 48,148               |
| Mogashoa B   | -                      | 2,126                | -                        | 2,126                |
| Mokgalapa S & B P  | -                      | 3,160                | -                        | 3,160                |
| Mthetwa D & M A  | -                      | 10,405               | -                        | 10,405               |
| Nel F P  | -                      | 9,246                | -                        | 9,246                |
| Nkosi W M S  | 13,894                 | -                    | -                        | 13,894               |
| Phala M  | 4,137                  | -                    | -                        | 4,137                |
| Phungwayo Z J & F P  | 7,201                  | -                    | -                        | 7,201                |
| Pillay S & N   | 4,122                  | -                    | -                        | 4,122                |
| Segabutla L O  | 2,263                  | -                    | -                        | 2,263                |
| Seoketsa G   | -                      | 39,030               | -                        | 39,030               |
| Thobejane H S  | 2,334                  | -                    | -                        | 2,334                |
|  | <b>62,440</b>          | <b>139,618</b>       |                          | <b>202,058</b>       |

**City of Tshwane Metropolitan Municipality**  
 Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

**39. Non-compliance with applicable legislation**

**MFMA: Section 116(3)**

Contracts were amended or extended without notifying the public as required by section 116(3) of the MFMA.

**MFMA: Section 95(c)(i)**

All the municipal entities (active and dormant) did not take all reasonable steps to ensure that the entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

**MFMA: Section 65(e) and Section 99(2)(b)**

All invoices of the parent are not paid within 30 days as required by section 65(e), although an accrual is done at year end to rectify this transgression.

Housing Company Tshwane and Sandspruit Works Association did not pay expenditure within 30 days from receipt of an invoice or such period as prescribed for certain categories of expenditure.

**Supply Chain Management Regulations**

In terms of Supply Chain Management Regulation 44 awards may not be made to a person who is in service of the state. Awards were made by the municipality to persons who are in the service of the state.

Certain deviations from the supply chain management process were not in accordance with: inter alia the requirements of Supply Chain Management regulation 36(1).

**40. Commitments**

**Authorised capital expenditure**

**Approved and contracted for**

|                  |                      |                      |                      |                      |
|------------------|----------------------|----------------------|----------------------|----------------------|
| • Infrastructure | 2,052,825,852        | 2,739,046,907        | 2,052,825,852        | 2,739,046,907        |
| • Community      | 264,881,350          | 92,926,000           | 264,881,350          | 92,926,000           |
| • Other          | 381,456,390          | 138,673,400          | 381,456,390          | 138,673,400          |
| • Housing        | 33,301,000           | 59,000,000           | 33,301,000           | 59,000,000           |
|                  | <b>2,732,464,592</b> | <b>3,029,646,307</b> | <b>2,732,464,592</b> | <b>3,029,646,307</b> |

**Approved but not yet contracted for**

|                  |                      |                      |                      |                      |
|------------------|----------------------|----------------------|----------------------|----------------------|
| • Infrastructure | 329,090,148          | 107,780,000          | 329,090,148          | 107,780,000          |
| • Community      | 68,250,000           | 41,800,000           | 68,250,000           | 41,800,000           |
| • Other          | 40,613,000           | 10,748,640           | 40,613,000           | 10,748,640           |
| • Housing        | 15,000,000           | 5,000,000            | 15,000,000           | 5,000,000            |
|                  | <b>452,953,148</b>   | <b>165,328,640</b>   | <b>452,953,148</b>   | <b>165,328,640</b>   |
|                  | <b>3,185,417,740</b> | <b>6,059,292,614</b> | <b>3,185,417,740</b> | <b>3,194,974,947</b> |

**This expenditure will be financed from:**

|   |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|
| Council own funding (external loans)        | 1,974,850,453        | 1,869,948,947        | 1,974,850,453        | 1,869,948,947        |
| Capital replacement reserve                 | 35,986,287           | -                    | 35,986,287           | -                    |
| Provincial grants                           | 16,000,000           | 46,878,000           | 16,000,000           | 46,878,000           |
| Government housing                          | -                    | 5,400,000            | -                    | 5,400,000            |
| PTIS  | 180,000,000          | 804,180,000          | 180,000,000          | 804,180,000          |
| MIG/Urban Settlements Development Grant     | 887,581,000          | 380,568,000          | 887,581,000          | 380,568,000          |
| National Electrification Fund/INEP          | 21,000,000           | 88,000,000           | 21,000,000           | 88,000,000           |
| Energy Efficiency Demand Side Management    | 25,000,000           | -                    | 25,000,000           | -                    |
| Neighbourhood Development Partnership Grant | 45,000,000           | -                    | 45,000,000           | -                    |
|   | <b>3,185,417,740</b> | <b>3,194,974,947</b> | <b>3,185,417,740</b> | <b>3,194,974,947</b> |

## Notes to the Annual Consolidated Financial Statements

### Figures in Rand

#### 41. Accumulated surplus

##### Ring-fenced internal funds and reserves within accumulated surplus - Group - 2011

|   | Capital replacement reserve | Capitalisation reserve | Government grant reserve | Donations and public contributions | Insurance reserve | COID reserve development | Housing fund  | Other         | Total         |
|---|-----------------------------|------------------------|--------------------------|------------------------------------|-------------------|--------------------------|---------------|---------------|---------------|
| Opening balance   | 222,734,008                 | 1,690,411,195          | 4,902,333,894            | 237,439,978                        | 146,257,158       | 88,247,216               | 128,849,720   | 1,259,374,391 | 8,675,647,560 |
| Net surplus for the year                                      | -                           | (27,176,397)           | 27,176,397               | -                                  | -                 | -                        | -             | 407,097,920   | 407,097,920   |
| Property, plant and equipment purchases                       | -                           | -                      | -                        | -                                  | -                 | -                        | -             | -             | -             |
| Capital grants used to purchase property, plant and equipment | -                           | -                      | 492,893,260              | -                                  | -                 | -                        | -             | (492,893,260) | -             |
| Offsetting of depreciation                                    | -                           | (138,556,254)          | (153,508,481)            | -                                  | -                 | -                        | -             | -             | -             |
| Asset purifications/retirements                               | 14,622,025                  | (705,600)              | (1,048,454)              | -                                  | 87,643,955        | (10,665,671)             | 14,398,680    | -             | (292,064,735) |
| Transfer to/(from) reserves                                   | -                           | -                      | -                        | -                                  | -                 | -                        | 1,758         | (12,867,971)  | (91,378,722)  |
| 210,179,636   | 1,578,325,738               | 5,240,670,219          | 325,083,933              | 135,591,487                        | 102,645,896       | 128,851,478              | 1,361,397,093 | 9,082,745,480 |               |

##### Ring-fenced internal funds and reserves within accumulated surplus - Group - 2010

|   | Capital replacement reserve | Capitalisation reserve | Government grant reserve | Donations and public contributions | Insurance reserve | COID reserve development | Housing fund  | Other         | Total         |
|---|-----------------------------|------------------------|--------------------------|------------------------------------|-------------------|--------------------------|---------------|---------------|---------------|
| Opening balance   | 219,591,247                 | 2,220,940,742          | 4,360,651,367            | 138,621,637                        | 190,945,799       | 77,229,104               | 128,849,720   | 879,565,550   | 8,216,395,166 |
| Prior year correction   | 3,041,591                   | 26,814,693             | (12,215,713)             | -                                  | -                 | -                        | -             | 49,276,257    | (31,635,686)  |
| Net surplus for the year                                      | -                           | -                      | -                        | 98,818,341                         | (44,428,906)      | 11,018,112               | -             | 490,888,080   | 490,888,080   |
| Transfer to/(from) reserves                                   | 19,949,474                  | -                      | -                        | -                                  | -                 | -                        | -             | (85,357,021)  | -             |
| Capital grants used to purchase property, plant and equipment | -                           | -                      | 759,791,517              | -                                  | -                 | -                        | -             | (759,791,517) | -             |
| Property, plant and equipment purchases                       | (19,848,304)                | 19,848,304             | -                        | -                                  | -                 | -                        | -             | -             | -             |
| Asset purifications/retirements                               | -                           | (409,500,339)          | (70,799,646)             | -                                  | (259,735)         | -                        | -             | 480,559,720   | -             |
| Offsetting of depreciation                                    | -                           | (167,692,205)          | (135,093,631)            | -                                  | -                 | -                        | -             | 302,785,836   | -             |
| 222,734,008   | 1,690,411,195               | 4,902,333,894          | 237,439,978              | 146,257,158                        | 88,247,216        | 128,849,720              | 1,259,374,391 | 8,675,647,560 |               |

## Notes to the Annual Consolidated Financial Statements

### Figures in Rand

#### 41. Accumulated surplus (continued)

##### Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2011

|   | Capital replacement reserve | Government grant reserve | Donations and public contributions | Insurance reserve | COID reserve development | Housing fund | Other       | Total                         |
|---|-----------------------------|--------------------------|------------------------------------|-------------------|--------------------------|--------------|-------------|-------------------------------|
| Opening balance   | 222,734,008                 | 1,690,411,195            | 4,902,333,894                      | 237,439,978       | 146,257,158              | 88,247,216   | 128,849,720 | 1,233,872,239                 |
| Net surplus for the year                                      | (27,176,397)                | 27,176,397               | -                                  | -                 | -                        | -            | -           | 393,640,726                   |
| Property, plant and equipment purchases                       | -                           | (138,556,254)            | (153,508,481)                      | -                 | -                        | -            | -           | -                             |
| Offsetting depreciation                                       | -                           | -                        | -                                  | -                 | -                        | -            | -           | 292,064,735                   |
| Capital grants used to purchase property, plant and equipment | 14,622,025                  | (705,600)                | 492,893,260<br>(1,048,454)         | -                 | -                        | -            | -           | -                             |
| Asset purifications/retirements                               | -                           | -                        | 87,643,955                         | (10,665,671)      | 14,398,680               | -            | -           | (492,893,260)<br>(12,867,971) |
| Transfer to/(from) reserves                                   | 210,179,636                 | 1,578,325,738            | 5,240,670,219                      | 325,083,933       | 135,591,487              | 102,645,896  | 128,851,478 | 1,322,437,747                 |
|   |                             |                          |                                    |                   |                          |              |             | 9,043,786,134                 |

##### Ring-fenced internal funds and reserves within accumulated surplus - Municipality - 2010

|   | Capital replacement reserve | Government grant reserve | Donations and public contributions | Insurance reserve | COID reserve development | Housing fund | Other       | Total         |
|---|-----------------------------|--------------------------|------------------------------------|-------------------|--------------------------|--------------|-------------|---------------|
| Opening balance   | 219,591,247                 | 2,220,940,742            | 4,360,651,367                      | 138,621,637       | 190,945,799              | 77,229,104   | 128,849,720 | 885,041,590   |
| Prior year adjustments  | 3,041,591                   | 26,814,693               | (12,215,713)                       | -                 | -                        | -            | -           | (49,276,255)  |
| Net surplus for the year                                      | -                           | -                        | -                                  | -                 | -                        | -            | -           | 459,909,882   |
| Property, plant and equipment purchases                       | (19,848,304)                | 19,848,304               | -                                  | -                 | -                        | -            | -           | -             |
| Offsetting of depreciation                                    | -                           | (167,692,205)            | (135,093,631)                      | -                 | -                        | -            | -           | 302,785,836   |
| Capital grants used to purchase property, plant and equipment | -                           | -                        | 759,791,517                        | -                 | -                        | -            | -           | (759,791,517) |
| Asset purification/retirements                                | 19,949,474                  | (409,500,339)            | (70,799,646)                       | 98,818,341        | (44,428,906)             | 11,018,112   | -           | 480,559,720   |
| Transfer to/(from) reserves                                   | 222,734,008                 | 1,690,411,195            | 4,902,333,894                      | 237,439,978       | 146,257,158              | 88,247,216   | 128,849,720 | 1,233,872,235 |
|   |                             |                          |                                    |                   |                          |              |             | 8,650,145,404 |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

### 42. Employee benefit obligations

#### Pension funds

Most employees of the Municipality are members of one of the following funds and those who are not, are paid a lump-sum gratuity at retirement age. The Municipality's contributions to these funds are reflected as a charge against income in the financial statements.

#### Defined contribution plan (as classified by the relevant fund):

The Municipality contributes to the following defined contribution plans, which are governed by the Pension Fund Act of 1956. The total contributions are included under Employee related costs, Note 27.

|  |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|
| <b>Tshwane Municipal Provident Fund.</b><br>2 996 (24,34 % ) of the Municipality's employees are members of this fund.   | 148,536,590        | 123,506,134        | 148,536,590        | 123,506,134        |
| <b>Pension Fund for Municipal Councillors:</b> The Councillors of the City of Tshwane Metropolitan Municipality are members of this fund. 45 (0,37 % ) of the Municipality's employees are members of this fund. | 6,222,096          | 6,558,372          | 6,222,096          | 6,558,372          |
| <b>National Fund for Municipal Workers.</b><br>3 612 (29,35 % ) of the Municipality's employees are members of this fund.  | 208,634,870        | 180,605,515        | 208,634,870        | 180,605,515        |
| <b>SALA Provident Fund.</b><br>89 (0,76 % ) of the Municipality's employees are members of this fund.  | 1,079,895          | 1,041,078          | 1,079,895          | 1,041,078          |
| <b>SAMWU National Pension Fund.</b><br>17 (0,14 % ) of the Municipality's employees are members of this fund.  | 766,760            | 689,453            | 766,760            | 689,453            |
| <b>SAMWU National Provident Fund.</b><br>1 081 (8,78 % ) of the Municipality's employees are members of this fund.   | 38,743,968         | 33,114,589         | 38,743,968         | 33,114,589         |
| <b>Germiston Municipal Retirement Fund</b><br>1 (0,01 % ) of the Municipality's employees are a member of this fund.   | 67,364             | 58,277             | 67,364             | 58,277             |
| <b>Meshawu National Local Authorities Retirement Fund.</b><br>52 (0,42 % ) of the Municipality's employees are members of this fund.   | 1,512,416          | 1,410,926          | 1,512,416          | 1,410,926          |
|  | <b>405,563,959</b> | <b>346,984,344</b> | <b>405,563,959</b> | <b>346,984,344</b> |

#### Defined contribution plan (as classified by the relevant funds): Tshwane municipal pension fund

#### TSHWANE MUNICIPAL PENSION FUND.

The Consulting Actuaries reported that the Fund was in a sound financial position with a funding level of 100%. 356 (2,89%) of the Municipality's employees are members of this fund.

|  |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|
| <b>Included in general expenses are:-</b>                      |                      |                      |                      |                      |
| Current service cost   | 25,566,160           | 24,046,000           | 25,566,160           | 24,046,000           |
| Interest cost  | 62,731,461           | 75,927,000           | 62,731,461           | 75,927,000           |
| Expected return on assets                                      | (58,568,112)         | (54,522,000)         | (58,568,112)         | (54,522,000)         |
| Recognised Net (Gain)/Loss                                     | (13,436,813)         | (144,617,587)        | (13,436,813)         | (144,617,587)        |
| <b>Defined benefit expense</b>                                 | <b>16,292,696</b>    | <b>(99,166,587)</b>  | <b>16,292,696</b>    | <b>(99,166,587)</b>  |
| <b>Post-employment benefit liability (funded status)</b>       |                      |                      |                      |                      |
| Present value of the obligation                                | (721,072,962)        | (686,903,774)        | (721,072,962)        | (686,903,774)        |
| Fair value of plan assets                                      | 588,125,731          | 552,529,361          | 588,125,731          | 552,529,361          |
| <b>Liability recognised in statement of financial position</b> | <b>(132,947,231)</b> | <b>(134,374,413)</b> | <b>(132,947,231)</b> | <b>(134,374,413)</b> |

**City of Tshwane Metropolitan Municipality**  
Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

|  | Group              |                     | Municipality       |                     |
|--|--------------------|---------------------|--------------------|---------------------|
|  | 2011<br>R          | Restated 2010<br>R  | 2011<br>R          | Restated 2010<br>R  |
| <b>42. Employee benefit obligations (continued)</b>  |                    |                     |                    |                     |
| <b>Reconciliation of defined benefit obligation:</b>   |                    |                     |                    |                     |
| Present value of obligation at beginning of year   | 686,903,774        | 770,600,000         | 686,903,774        | 770,600,000         |
| Interest cost  | 62,731,461         | 24,046,000          | 62,731,461         | 24,046,000          |
| Current service cost   | 25,566,160         | 6,813,000           | 25,566,160         | 6,813,000           |
| Member contributions   | 6,846,464          | 75,927,000          | 6,846,464          | 75,927,000          |
| Risk premiums  | (2,242,963)        | (2,232,000)         | (2,242,963)        | (2,232,000)         |
| Actuarial (gain)/loss on obligation  | (58,731,934)       | (188,250,226)       | (58,731,934)       | (188,250,226)       |
| Present value of obligation at end of year   | <u>721,072,962</u> | <u>686,903,774</u>  | <u>721,072,962</u> | <u>686,903,774</u>  |
| <b>Reconciliation of plan assets (None of the Municipality's own financial instruments or property are included in the fair value of plan assets)</b>  |                    |                     |                    |                     |
| Expected return on plan assets   | 552,529,361        | 521,099,000         | 552,529,361        | 521,099,000         |
| Contributions  | 58,568,112         | 53,413,000          | 58,568,112         | 53,413,000          |
| Risk premiums  | 24,566,342         | 23,882,000          | 24,566,342         | 23,882,000          |
| Actuarial (gain)/loss on obligation  | (2,242,963)        | (2,232,000)         | (2,242,963)        | (2,232,000)         |
| Fair value of plan assets at end of year   | <u>588,125,731</u> | <u>552,529,361</u>  | <u>588,125,731</u> | <u>552,529,361</u>  |
| <b>Composition of plan assets:</b>   |                    |                     |                    |                     |
| Cash   | 8.30 %             | 8.28 %              | 8.30 %             | 8.28 %              |
| Equity   | 58.20 %            | 58.20 %             | 58.20 %            | 58.20 %             |
| Bonds  | 21.60 %            | 21.61 %             | 21.60 %            | 21.61 %             |
| Property   | 0.50 %             | 0.45 %              | 0.50 %             | 0.45 %              |
| Other  | 0.50 %             | 0.50 %              | 0.50 %             | 0.50 %              |
| International  | 10.90 %            | 10.96 %             | 10.90 %            | 10.96 %             |
| Total  | <u>100.00 %</u>    | <u>100.00 %</u>     | <u>100.00 %</u>    | <u>100.00 %</u>     |
| Actual return on plan assets   | <u>16,727,009</u>  | <u>9,780,351</u>    | <u>16,727,009</u>  | <u>9,780,351</u>    |
| Estimated contributions payable in the next financial period   | <u>24,115,356</u>  | <u>22,323,378</u>   | <u>24,115,356</u>  | <u>22,323,378</u>   |
| <b>Municipal gratuity fund</b>   |                    |                     |                    |                     |
| Actuarial valuations are carried out every 2 years. 1 379 (11.21%) of the Municipality's employees are members of this fund. No specific plan assets are set aside for the Gratuity Fund. The interim actuarial valuation done at 30 June 2010 indicated that the fund was financially sound as at 30 June 2010. |                    |                     |                    |                     |
| <b>Included in general expenses are:-</b>  |                    |                     |                    |                     |
| Current service cost   | 3,594,632          | 3,161,000           | 3,594,632          | 3,161,000           |
| Interest cost  | 6,388,063          | 8,267,000           | 6,388,063          | 8,267,000           |
| Expected return on assets  | (4,764,251)        | (16,557,000)        | (4,764,251)        | (16,557,000)        |
| Recognised Net (Gain)/Loss   | 9,512,018          | (11,514,396)        | 9,512,018          | (11,514,396)        |
| Defined benefit expense  | <u>14,730,462</u>  | <u>(16,643,396)</u> | <u>14,730,462</u>  | <u>(16,643,396)</u> |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|   | Group               | Municipality        |                     |
|---|---------------------|---------------------|---------------------|
|   | 2011<br>R           | Restated 2010<br>R  | 2011<br>R           |
| <b>42. Employee benefit obligations (continued)</b>   |                     |                     |                     |
| <b>Post-employment benefit liability (funded status)</b>  |                     |                     |                     |
| Present value of the obligation   | (75,491,604)        | (92,135,000)        | (75,491,604)        |
| Net (expense)/income recognised   | (14,730,461)        | 16,643,396          | (14,730,461)        |
| Liability recognised in statement of financial position   | <u>(90,222,065)</u> | <u>(75,491,604)</u> | <u>(90,222,065)</u> |
| <b>Reconciliation of defined benefit obligation:</b>  |                     |                     |                     |
| Obligation: Present value - begining of year  | 75,491,604          | 92,135,000          | 75,491,604          |
| Interest cost   | 3,594,632           | 3,161,000           | 3,594,632           |
| Current service cost  | 6,388,063           | 8,267,000           | 6,388,063           |
| Benefits paid   | (4,764,251)         | (16,557,000)        | (4,764,251)         |
| Actuarial (gain)/loss on obligation   | 9,512,018           | (11,514,396)        | 9,512,018           |
| Present value of obligation at end of year  | <u>90,222,066</u>   | <u>75,491,604</u>   | <u>90,222,066</u>   |
| Estimated benefit payable in next financial period  | 98,901,260          | 4,674,251           | 9,890,260           |
| <b>Multi-employer funds</b>   |                     |                     |                     |
| The Municipality contributes to the following defined benefit plans, which are governed by the Pension Fund Act of 1956. The total contributions are included under Employee remuneration, Note 27). Due to the nature of these funds, the lack of information and the fact that assets are not specifically associated to meet the obligations in respect of individual employers, these funds are accounted for as defined contribution funds in terms of paragraph 30 of IAS 19. The total contributions are included in Employee related costs, Note 27). |                     |                     |                     |
| <b>SALA Pension Fund.</b>   |                     |                     |                     |
| The actuarial valuation is carried annually since 1 July 1998. The actuarial valuation performed on 1 July 2004 showed an unfunded liability of R516,62 million (81,9 % funding level). The Municipality's employees make up approximately 5,4 % of the total membership and therefore the Municipality's possible liability with regard to the unfunded liability is calculated at R28 million. 819 (6,65 %) of the Municipality's employees are members of this fund.   | 33,561,876          | 28,471,024          | 33,561,876          |
| <b>The Government Employees Pension Fund.</b>   |                     |                     |                     |
| Actuarial valuations are performed every 3 years. The actuarial valuation performed on 31 March 2008 reported the fund to be in a sound financial position with a funding level of 100%. 8 (0,07 %) of the Municipality's employees are members of this fund.   | 353,311             | 400,686             | 353,311             |
| <b>Joint Municipal Pension Fund.</b>  |                     |                     |                     |
| Actuarial valuations are performed every 3 years. The actuarial valuation performed on 30 September 2010 indicated a funding level of 104,9% and the fund was in a sound financial position at the valuation date. 49 (0,40 %) of the Municipality's employees are members of this fund.  | 3,415,837           | 3,385,910           | 3,415,837           |
| <b>Municipal Employees Pension Fund.</b>  |                     |                     |                     |
| The actuarial valuation performed on 1 February 2010 reported the fund to be in a sound financial position with a funding level of 100%. 1 817 (14,76%) of the Municipality's employees are members of this fund.   | 61,592,917          | 54,858,523          | 61,592,917          |
|   | 98,923,941          | 87,116,143          | 98,923,941          |
|   | 98,923,941          | 87,116,143          | 98,923,941          |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group         |                    | Municipality  |                    |
|--|---------------|--------------------|---------------|--------------------|
|  | 2011<br>R     | Restated 2010<br>R | 2011<br>R     | Restated 2010<br>R |
| <b>42. Employee benefit obligations (continued)</b>  |               |                    |               |                    |
| <b>Medical aid funds</b>   |               |                    |               |                    |
| Included in general expenses are:-   |               |                    |               |                    |
| Current service cost   | 12,366,000    | 15,681,000         | 12,366,000    | 15,681,000         |
| Interest cost  | 57,568,000    | 61,256,000         | 57,568,000    | 61,256,000         |
| Expected Employer Benefit Payments   | (31,132,000)  | (33,729,000)       | (31,132,000)  | (33,729,000)       |
| Recognised Net (Gain)/Loss   | 198,686,000   | (75,402,000)       | 198,686,000   | (75,402,000)       |
| Defined benefit expense  | 237,488,000   | (32,194,000)       | 237,488,000   | (32,194,000)       |
| Post-employment benefit liability (funded status)  |               |                    |               |                    |
| Present value of the unfunded obligation   | (630,366,000) | (662,560,000)      | (630,366,000) | (662,560,000)      |
| Recognised actuarial gains   | (237,488,000) | 32,194,000         | (237,488,000) | 32,194,000         |
| Liability recognised in statement of financial position  | (867,854,000) | (630,366,000)      | (867,854,000) | (630,366,000)      |
| Reconciliation of defined benefit obligation:  |               |                    |               |                    |
| Present value of unfunded obligation at beginning of year  | 630,366,000   | 662,560,000        | 630,366,000   | 662,560,000        |
| Interest cost  | 57,568,000    | 61,256,000         | 57,568,000    | 61,256,000         |
| Current service cost   | 12,366,000    | 15,681,000         | 12,366,000    | 15,681,000         |
| Employer contributions   | (31,132,000)  | (33,729,000)       | (31,132,000)  | (33,729,000)       |
| Actuarial Gains/Losses   | 198,686,000   | (75,402,000)       | 198,686,000   | (75,402,000)       |
| Present value of obligation at end of year   | 867,854,000   | 630,366,000        | 867,854,000   | 630,366,000        |
| Actuarial (gains)/losses recognised in other comprehensive income:   |               |                    |               |                    |
| Tshwane Pension Fund   | (13,436,813)  | (144,617,587)      | (13,436,813)  | (144,617,587)      |
| Gratuities   | 9,512,018     | (11,514,396)       | 9,512,018     | (11,514,396)       |
| Medical aid funds  | 198,686,000   | (75,402,000)       | 198,686,000   | (75,402,000)       |
| Total amount of actuarial (gains)/losses recognised  | 194,761,205   | (231,533,983)      | 194,761,205   | (231,533,983)      |
| Estimated benefit payable in next financial period   | 37,485,000    | 31,156,000         | 37,485,000    | 31,156,000         |
| <b>Sensitivity Results</b>   |               |                    |               |                    |
| The effect of an increase and decrease of one percentage point in the assumed medical cost trend rates on is the following: Subsidy Increase rate: |               |                    |               |                    |
| <b>Subsidy Increase rate:</b>  |               |                    |               |                    |
| Accrued liability 30 June  | 867,854,000   | 630,366,000        | 867,854,000   | 630,366,000        |
| Decrease of 1 %  | 751,838,000   | 550,107,000        | 751,838,000   | 550,107,000        |
| % change   | (13.0)%       | (12.7)%            | (13.0)%       | (12.7)%            |
| Increase of 1 %  | 1,011,241,000 | 729,086,000        | 1,011,241,000 | 729,086,000        |
| % change   | 17.0 %        | 15.7 %             | 17.0 %        | 15.7 %             |
| <b>Discount rate:</b>  |               |                    |               |                    |
| Accrued liability 30 June  | 867,854,000   | 630,366,000        | 867,854,000   | 630,366,000        |
| Decrease of 1 %  | 755,680,000   | 727,218,000        | 755,680,000   | 727,218,000        |
| % change   | (12.9)%       | (12.2)%            | (12.4)%       | (12.2)%            |
| Increase of 1 %  | 1,009,564,000 | 727,218,000        | 1,009,564,000 | 727,218,000        |
| % change   | 16.3 %        | 15.4 %             | 16.3 %        | 15.4 %             |

**City of Tshwane Metropolitan Municipality**  
Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

|   | Group              |                    | Municipality       |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | 2011<br>R          | Restated 2010<br>R | 2011<br>R          | Restated 2010<br>R |
| <b>42. Employee benefit obligations (continued)</b>                       |                    |                    |                    |                    |
| <b>Long service awards</b>  |                    |                    |                    |                    |
| Included in general expenses are:-  |                    |                    |                    |                    |
| Current service cost  | 31,283,171         | 29,077,838         | 31,283,171         | 29,077,838         |
| Interest cost   | 28,678,386         | 26,907,629         | 28,678,386         | 26,907,629         |
| Expected Employer Benefit Payments  | (30,677,644)       | (29,073,829)       | (30,377,644)       | (29,073,829)       |
| Recognised Net (Gain)/Loss  | 49,882,237         | (3,963,122)        | 49,882,237         | (3,963,122)        |
| Defined benefit expense   | <b>79,166,150</b>  | <b>22,948,516</b>  | <b>79,466,150</b>  | <b>22,948,516</b>  |
| <b>Post-employment benefit liability (funded status)</b>                  |                    |                    |                    |                    |
| Present value of the unfunded obligation                                  | (329,029,453)      | (306,080,937)      | (329,029,453)      | (306,080,937)      |
| Recognised actuarial gains  | (79,166,150)       | (22,948,516)       | (79,166,150)       | (22,948,516)       |
| Liability recognised in statement of financial position                   | (408,195,603)      | (329,029,453)      | (408,195,603)      | (329,029,453)      |
| <b>Reconciliation of defined benefit obligation:</b>                      |                    |                    |                    |                    |
| Present value of unfunded obligation at beginning of year                 | 329,029,453        | 306,080,937        | 329,029,453        | 306,080,937        |
| Interest cost   | 28,678,386         | 26,907,629         | 28,678,386         | 26,907,629         |
| Current service cost  | 31,283,171         | 29,077,838         | 31,283,171         | 29,077,838         |
| Employer contributions  | (30,677,644)       | (29,073,829)       | (30,377,644)       | (29,073,829)       |
| Actuarial gains/losses  | 49,882,237         | (3,963,122)        | 49,882,237         | (3,963,122)        |
| Present value of obligation at end of year                                | <b>408,195,603</b> | <b>329,029,453</b> | <b>408,195,603</b> | <b>329,029,453</b> |
| <b>Actuarial (gains)/losses recognised in other comprehensive income:</b> |                    |                    |                    |                    |
| Long service awards   | 49,882,237         | (3,963,122)        | 498,822,367        | (3,963,122)        |
| Estimated benefit payable in next financial period                        | (32,112,586)       | (30,677,644)       | (32,112,586)       | (30,677,644)       |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

### 42. Employee benefit obligations (continued)

#### Sensitivity Results

The effect of an increase and decrease of one percentage point in the assumed medical cost trend rates on is the following: Subsidy Increase rate:

|                              |             |             |             |             |
|------------------------------|-------------|-------------|-------------|-------------|
| <b>Salary Increase rate:</b> |             |             |             |             |
| Accrued liability 30 June    | 408,195,603 | 329,029,000 | 408,195,603 | 329,029,000 |
| Decrease of 1 %              | 377,133,000 | 305,684,000 | 377,133,000 | 305,684,000 |
| % change                     |             | (8.0)%      | (7.1)%      | (8.0)%      |
| Increase of 1 %              | 443,460,000 | 355,347,000 | 443,460,000 | 355,347,000 |
| % change                     |             | 9.0 %       | 8.0 %       | 9.0 %       |

|                           |             |             |             |             |
|---------------------------|-------------|-------------|-------------|-------------|
| <b>Discount rate:</b>     |             |             |             |             |
| Accrued liability 30 June | 408,195,603 | 329,029,453 | 329,029,453 | 329,029,453 |
| Decrease of 1 %           | 376,370,000 | 305,242,372 | 376,370,000 | 305,242,372 |
| % change                  |             | (7.8)%      | (7.2)%      | (7.8)%      |
| Increase of 1 %           | 444,972,000 | 356,282,926 | 444,972,000 | 356,282,926 |
| % change                  |             | 9.0 %       | 8.3 %       | 9.0 %       |

|  |                        |                        |                        |                        |
|--|------------------------|------------------------|------------------------|------------------------|
| <b>Post-employment benefit liability (funded status)</b> |                        |                        |                        |                        |
| Pension Fund   | (132,947,231)          | (134,374,413)          | (132,947,231)          | (134,374,413)          |
| Municipal gratuity fund                                  | (90,222,065)           | (75,491,604)           | (90,222,065)           | (75,491,604)           |
| Medical aid funds  | (867,854,000)          | (630,366,000)          | (867,854,000)          | (630,366,000)          |
| Long service awards                                      | (408,195,603)          | (329,029,453)          | (408,195,603)          | (329,029,453)          |
| <b>Total per Statement of Financial Position</b>         | <b>(1,499,218,899)</b> | <b>(1,169,261,470)</b> | <b>(1,499,218,899)</b> | <b>(1,169,261,470)</b> |

#### Actuarial assumptions

A summary of the assumptions used in the valuation, together with a short description on each is given below:

##### Economic assumptions (pension fund and gratuities):

|                                   |         |         |         |         |
|-----------------------------------|---------|---------|---------|---------|
| Discount rate                     | 8.68 %  | 9.13 %  | 8.68 %  | 9.13 %  |
| Inflation rate                    | 5.44 %  | 5.46 %  | 5.44 %  | 5.46 %  |
| Salary Increase rate              | 6.44 %  | 6.46 %  | 6.44 %  | 6.46 %  |
| Expected rate of return on assets | 10.20 % | 10.60 % | 10.20 % | 10.60 % |
| Pension increase allowance Health | 4.75 %  | 5.19 %  | 4.75 %  | 5.19 %  |
| Care Cost Inflation               | 7.19 %  | 7.21 %  | 7.19 %  | 7.21 %  |

##### Discount rate (pension fund and gratuities):

The rate to discount post-employment benefit obligations should be determined by reference to market expectations at the valuation date for the period over which the liability are to be settled. If the market is not liquid then government bond yields at the estimated term of the defined benefit obligation should be used. Consequently a discount rate of 8.68% per annum has been used.

##### Inflation rate (pension fund and gratuities):

While not used explicitly in the valuation, we have assumed the underlying future rate of consumer price inflation (CPI) to be 5.44 % per annum. This assumption has been based on the relationship between current conventional bond yields and current index-linked bond yields. This assumption is in line with the SA Government's Monetary Policy target of 3 % to 6 % per annum.

##### Salary increase:

Salary increases have historically exceeded CPI inflation by between 1.0% and 1.5% per annum. We have assumed that salaries will exceed the assumed inflation rate by 1% (pension funds) and 1% (gratuities) plus a merit increase based on the age-related table below:

| Age | Merit Increase |
|-----|----------------|
| 20  | 13.5 %         |
| 25  | 9.0 %          |
| 30  | 5.5 %          |
| 35  | 3.0 %          |
| 40  | 1.5 %          |
| 45  | 1.0 %          |

**City of Tshwane Metropolitan Municipality**  
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**Notes to the Annual Consolidated Financial Statements**

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

**42. Employee benefit obligations (continued)**

**Expected return on assets:**

The Fund's expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions we made use of the asset split as at 30 June 2011. The expected long-term rate of return on bonds was set at the same level as the discount rate. This implies a yield on government bonds of 8.68 % per annum. The expected long-term rate of return on equities was set at a level of 3 % above the bond rate, whilst the expected long-term rate of return on cash was set at a level of 2 % below the bond rate. Return on overseas equity was assumed at 1% above the bond rate. Adjustments were made to reflect the effect of expenses.

**Pension rate increase:**

We have made use of a post-retirement discount rate of 3.75 % per annum which drives the pension increase policy of the Trustees. This implies a pension increase rate of 4.75 % per annum.

**Health Care Cost Inflation:**

We have assumed that the current contribution table(s) of the medical scheme(s) would continue to apply in the future, with allowance for inflationary increases of 5.46 % per annum. We have assumed that health care cost inflation exceeds CPI inflation by an average of 1.75 % per annum over the long-term.

**43. Events after the reporting date**

No material events occurred with respect to the 2010/11 financial year end after the date of the statement of financial position in respect of loans and investments..

Civirelo Water, a municipal entity was disestablished on 30 June 2010 and a Transfer Agreement was signed with City of Tshwane to take over all rights and obligations from 1 July 2010. Refer to note 45 for more detail regarding the disestablishment balances.

**Merger of Metswedding, Kungwini and Nokeng Tsa Taemane municipalities:**

In terms of the amended section 12 Notice (Notice No 3584 of 2005), amended on 15 April 2011, the City of Tshwane becomes the administrator of the 3 municipalities for the period 19 May 2011 to 30 June 2011. The financial, operational and administrative affairs of the 3 municipalities is determined in clause 23A of the section 12 notice, namely that the financial, operational and administrative affairs of the City of Tshwane Metropolitan Municipality and the disestablished municipalities will remain force until 30 June 2011. In practice this means that:

- The 3 disestablished municipalities will continue with their operations, financial systems and financial statements up to 30 June 2011 under the administration of the City of Tshwane.
- All transactions relating to the 2010/11 financial year must be processed and accounted for in the financial systems, financial records and financial statements of the disestablished municipalities.
- The operations and financial records will only be taken over/incorporated with that of City of Tshwane from 1 July 2011.

**City of Tshwane Metropolitan Municipality**  
Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

**44. Related parties**

The following municipal entities were under the control of the erstwhile/diseestablished municipalities. The City of Tshwane Metropolitan Municipality became the parent municipality on 5 December 2000 as a result of the successor in law principle.

**Related party balances**

|   |             |   |            |  |
|---|-------------|---|------------|--|
| Amounts included in trade receivables and loans regarding related parties |             |   |            |  |
| Sandspruit Works Association  | 34,928,530  |   | 64,993,081 |  |
| TEDA  | 16,857      |   | 16,723     |  |
| Amounts included in trade payables regarding related parties              |             |   |            |  |
| Housing Company Tshwane   |             | - | 862,406    |  |
| Sandspruit Works Association  | 17,975,806  |   | 11,032,723 |  |
| Related party transactions  |             |   |            |  |
| Sales to related parties  |             |   |            |  |
| Housing Company Tshwane   | 340,036     |   | 452,916    |  |
| Sandspruit Works Association  | 71,852,790  |   | 429,026    |  |
| Purchases to related parties  |             |   |            |  |
| Sandspruit Works Association  | 76,914,102  |   | 61,217,177 |  |
| Expenses paid/ revenue received on behalf of related parties              |             |   |            |  |
| Cenbis  | 40,635      |   | -          |  |
| Housing Company Tshwane   | 8,276       |   | -          |  |
| Housing Company Tshwane   | 13,978      |   | -          |  |
| Housing Company Tshwane   | 153,123     |   | -          |  |
| TEDA  | 25,074      |   | 16,723     |  |
| Grants to related parties   |             |   |            |  |
| Housing Company Tshwane   | 15,265,254  |   | 1,653,854  |  |
| Sandspruit Works Association: DWAF subsidy                                | 5,977,000   |   | 7,898,496  |  |
| Sandspruit Works Association: CoT subsidy                                 | 77,904,973  |   | 58,872,414 |  |
| Civirelo:   |             |   |            |  |
| Disestablishment of municipal entity                                      | (2,051,110) |   | -          |  |
| Purchases from / (sales to) CoT   |             | - | 3,077,315  |  |

Civirelo Water, a municipal entity was disestablished on 30 June 2010. All transactions, assets and liabilities were taken over by the City of Tshwane on 1 July 2010. A summary of the transactions can be seen below:

**Gain on disestablishment consists of:**

|  |             |   |             |   |
|--|-------------|---|-------------|---|
| Civirelo: Operating loss 2010/11                             | 2,860,672   | - | 2,860,672   | - |
| Civirelo: Accumulated surplus 2009/10                        | (5,575,844) | - | (5,575,844) | - |
| Civirelo: Property, plant & equipment - Cost                 | 136,394     | - | 136,394     | - |
| Civirelo: Property, plant & equipment -                      | (117,022)   | - | (117,022)   | - |
| Accumulated Depreciation                                     |             |   |             |   |
| Civirelo: Creditors  | (2,277,442) | - | (2,277,442) | - |
| Civirelo: Sundry debtor                                      | 2,611,738   | - | 2,611,738   | - |
| Civirelo: Work in progress (asset under construction)        | 5,416,171   | - | 5,416,171   | - |
| Civirelo: Expenditure paid by City of Tshwane during 2010/11 | (5,769,836) | - | (5,769,836) | - |
| Enterprise SA: final bank balance                            | (1,528)     | - | (1,528)     | - |
| Tswaing Electricity: final bank balance                      | (234)       | - | (234)       | - |
| (2,716,931)  |             | - | (2,716,931) | - |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

### 45. Prior period restatements

#### Change in accounting policy

The accounting policy of the municipality regarding the discounting of debtors has been changed to align it with the measurement in terms of GRAP 104 for financial instruments. This change is in anticipation of GRAP 104 which although approved is not yet effective.

#### Reclassification

Asset impairment to the value of R490 306 (2010 = R22 025 456) was incorrectly disclosed on the face of the cash flow statement and was now corrected, therefore the prior year comparative figures had to be corrected.

A reclassification relating to leased assets and lease liability to the value of R1 456 204 had to be done as a result of other prior period corrections.

Reclassification to the value of R399 982 933 between investment property and land under property, plant & equipment due to an incorrect classification on the financial statements as well as biological assets (game) to the value of R13 322 433 were re-classified to property, plant and equipment instead of showing a separate line item.

Reclassification between other debtors and VAT Payable to the amount of R91 442 058 due to an incorrect classification on the financial statements.

#### Correction of errors

##### Revenue:

Subsequent corrections on assessment rates.

Government grants were restated due to incorrect recognition of revenue on the host cities grant.

Public grants and donations were restated due to monies incorrectly allocated here instead of to IEC monies suspense account

##### Expense:

Remuneration was restated as a result of the resolve of a legal dispute with SALA Pension fund regarding contributions and all prior year contributions including interest had to be paid. This also affected the finance cost as a result of interest on the arrear contributions.

Invoices paid in 2010/11 which related to the 2009/10 financial year were written back to the prior year and this affected the remuneration of councillors, repairs and maintenance, bulk purchases and general expenses.

Depreciation and amortisation were restated as a result of a calculation error in the provision for rehabilitation of landfill sites, library books and leased assets during 2009/10.

##### Statement of financial position:

The restatements also relate to the subsequent corrections on assessment rates, calculation errors on the lease liability and leased assets, creditor payments done in 2010/11 which relate to 2009/10 and the ruling in respect of the legal dispute with the SALA pension fund. Unspent grants were restated due to incorrect recognition of revenue during 2008/09 and 2009/10.

Presented below are only those contained in the Statement of Financial Performance, Position and Cash flow statements which have been impacted by the prior year adjustments.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group     |                    | Municipality |           |
|--|-----------|--------------------|--------------|-----------|
|  | 2011<br>R | Restated 2010<br>R | 2010<br>R    | 2011<br>R |

### 45. Prior period restatements (continued)

#### Group

|   | As previously reported | Changes in accounting policy | Reclassification | Correction of errors | Restated        |
|---|------------------------|------------------------------|------------------|----------------------|-----------------|
| Restated 2010                                       | R'000                  | R'000                        | R'000            | R'000                | R'000           |
| <b>Statement of Financial Performance</b>           |                        |                              |                  |                      |                 |
| Property rates                                      | 2,666,935,770          | 15,853,029                   | -                | 16,890,713           | 2,699,679,512   |
| Service charges                                     | 7,045,114,837          | 40,077,562                   | -                | -                    | 7,085,192,399   |
| Rental of facilities and equipment                  | 91,101,774             | 5,419,861                    | -                | -                    | 96,521,635      |
| Interest received outstanding consumer debtors      | 303,376,939            | (54,825,832)                 | -                | (19,975)             | 248,531,132     |
| Public contributions and donations                  | 111,383,779            | -                            | -                | (5,579,489)          | 105,804,290     |
| Government grants and subsidies                     | 2,435,154,843          | -                            | -                | 74,299,096           | 2,509,453,939   |
| Other income  | 858,531,939            | -                            | -                | (61,848,385)         | 796,683,554     |
| Total revenue                                       | 13,659,396,969         | -                            | -                | 30,266,580           | 13,689,663,549  |
|   |                        |                              |                  |                      |                 |
| Remuneration  | 3,569,423,360          | -                            | -                | 2,895,866            | 3,572,319,226   |
| Remuneration of Councilors                          | 56,016,486             | -                            | -                | 37,264               | 56,053,750      |
| Depreciation and amortisation                       | 796,784,578            | -                            | -                | (22,740,512)         | 774,044,066     |
| Finance cost  | 597,117,797            | -                            | -                | 5,435,973            | 602,553,770     |
| Repairs and maintenance                             | 1,044,862,346          | -                            | -                | 2,336,341            | 1,047,198,687   |
| Bulk purchases                                      | 3,659,770,604          | -                            | -                | 2,442,118            | 3,662,212,722   |
| General expenses                                    | 2,250,717,784          | -                            | -                | 27,545,922           | 2,278,263,706   |
| Total expenditure                                   | 13,180,822,497         | -                            | -                | 17,952,972           | 13,198,775,469  |
| Surplus for the year                                | 478,574,472            | -                            | -                | 12,313,608           | 490,888,080     |
|   |                        |                              |                  |                      |                 |
| <b>Statement of Financial Position</b>              |                        |                              |                  |                      |                 |
| Other debtors                                       | 646,626,970            | 4,871,903                    | (91,442,058)     | (45,706,432)         | 514,350,383     |
| VAT receivable                                      | 2,740,752              | -                            | (2,740,752)      | -                    | -               |
| Consumer debtors                                    | 2,318,677,172          | (6,913,454)                  | -                | 41,691,103           | 2,353,454,821   |
| Property, plant and equipment                       | 14,364,286,813         | -                            | (386,660,500)    | (9,143,457)          | 13,968,482,856  |
| Biological assets (game)                            | 13,322,433             | -                            | (13,322,433)     | -                    | -               |
| Investment property                                 | 15,779,586             | -                            | 399,982,933      | -                    | 415,762,519     |
| Leased assets                                       | 191,155,539            | -                            | (1,456,204)      | -                    | 189,699,335     |
| Long-term receivables                               | 209,128,370            | -                            | -                | (11,155,532)         | 197,972,838     |
| Lease liabilities - current portion                 | (121,947,298)          | -                            | 1,456,204        | 11,954,133           | (108,536,961)   |
| Trade and other payables from exchange transactions | (3,010,318,040)        | -                            | -                | (90,327,234)         | (3,100,645,274) |
| VAT payable   | (256,173,053)          | -                            | 94,182,810       | -                    | (161,990,243)   |
| Unspent conditional grants and receipts             | (405,454,428)          | -                            | -                | 76,135,873           | (329,318,555)   |
| Lease liabilities non-current portion               | (78,178,021)           | -                            | 1,456,204        | (14,059,781)         | (90,781,598)    |
| Accumulated surplus                                 | (8,694,969,638)        | -                            | -                | 19,322,078           | (8,675,647,560) |

**City of Tshwane Metropolitan Municipality**  
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**Notes to the Annual Consolidated Financial Statements**

|  | Group                  |                              | Municipality         |                                  |
|--|------------------------|------------------------------|----------------------|----------------------------------|
|  | 2011<br>R              | Restated 2010<br>R           | 2011<br>R            | Restated 2010<br>R               |
| <b>45. Prior period restatements (continued)</b> |                        |                              |                      |                                  |
| <b>Restated 2010</b>                             | As previously reported | Changes in accounting policy | Reclassification     | Correction of errors             |
| <b>Cash flow statement</b>                       | R'000                  | R'000                        | R'000                | R'000                            |
| <b>Cash generated from operations</b>            |                        |                              |                      |                                  |
| Cash receipts from ratepayers government & other | 12,968,522,908         | -                            | -                    | (3,937,067) 12,964,585,841       |
| Cash paid to suppliers and employees             | (10,511,832,374)       | -                            | -                    | 9,351,991 (10,502,480,383)       |
| Finance costs (interest paid)                    | (597,117,797)          | -                            | -                    | (5,435,973) (602,553,770)        |
| Interest Income                                  | 97,583,505             | -                            | -                    | - 97,583,505                     |
| <b>Net cash generated from operations</b>        | <b>1,957,156,242</b>   | <b>-</b>                     | <b>-</b>             | <b>(21,049) 1,957,135,193</b>    |
| <b>Cash flow from investing activities</b>       |                        |                              |                      |                                  |
| Purchase of property, plant & equipment          | (2,133,343,684)        | -                            | (21,711,055)         | - (2,155,054,739)                |
| Purchase of leased assets                        | (30,685,071)           | -                            | - 1,485,566          | (29,199,505)                     |
| Proceeds from sale of financial assets           | 260,211,888            | -                            | - 692,606            | 260,904,494                      |
| Asset impairment                                 | (22,045,456)           | -                            | 22,045,456           | -                                |
| Purchase of biological assets                    | 314,406                | -                            | (314,406)            | -                                |
| <b>Net cash from investing activities</b>        | <b>(1,925,547,917)</b> | <b>-</b>                     | <b>19,995</b>        | <b>2,178,172</b>                 |
| <b>Cash flow from financing activities</b>       |                        |                              |                      |                                  |
| Finance lease payments                           | (67,495,538)           | -                            | - (4,437,067)        | (71,932,605)                     |
| <b>Net cash from financing activities</b>        | <b>(67,495,538)</b>    | <b>-</b>                     | <b>- (4,437,067)</b> | <b>(71,932,605)</b>              |
| <b>Municipality</b>                              |                        |                              |                      |                                  |
| <b>Restated 2010</b>                             | As previously reported | Changes in accounting policy | Reclassification     | Correction of errors             |
|  | R'000                  | R'000                        | R'000                | R'000                            |
| <b>Statement of Financial Performance</b>        |                        |                              |                      |                                  |
| Property rates                                   | 2,667,046,453          | 15,853,029                   | -                    | 16,890,713 2,699,790,195         |
| Service charges                                  | 6,977,611,625          | 40,077,562                   | -                    | - 7,017,689,187                  |
| Rental of facilities and equipment               | 88,929,806             | 5,419,861                    | -                    | 94,349,667                       |
| Interest received outstanding consumer debtors   | 283,126,083            | (54,825,832)                 | -                    | (19,975) 228,280,276             |
| Public contributions and donations               | 111,383,779            | -                            | -                    | (5,579,489) 105,804,290          |
| Government grants and subsidies                  | 2,494,128,314          | -                            | -                    | 10,812,874 2,504,941,188         |
| Other income                                     | 722,287,698            | -                            | -                    | (2,975,971) 719,311,727          |
| <b>Total revenue</b>                             | <b>13,491,496,362</b>  | <b>-</b>                     | <b>-</b>             | <b>25,652,772 13,517,149,134</b> |
| Remuneration                                     | 3,516,465,250          | -                            | -                    | 2,895,866 3,519,361,116          |
| Remuneration of Councilors                       | 56,016,486             | -                            | -                    | 37,264 56,053,750                |
| Depreciation and amortisation                    | 793,746,742            | -                            | -                    | (22,740,512) 771,006,230         |
| Finance cost                                     | 594,921,799            | -                            | -                    | 5,435,973 600,357,772            |
| Repairs and maintenance                          | 1,043,798,656          | -                            | -                    | 2,336,341 1,046,134,997          |
| Bulk purchases                                   | 3,639,420,915          | -                            | -                    | 2,442,118 3,641,863,033          |
| General expenses                                 | 2,251,322,675          | -                            | -                    | 27,545,922 2,278,868,597         |
| <b>Total expenditure</b>                         | <b>13,039,286,280</b>  | <b>-</b>                     | <b>-</b>             | <b>17,952,972 13,057,239,252</b> |
| <b>Surplus for the year</b>                      | <b>452,210,082</b>     | <b>-</b>                     | <b>-</b>             | <b>7,699,800 459,909,882</b>     |

**City of Tshwane Metropolitan Municipality**  
Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

|  | Group                  |                              | Municipality     |                      |
|--|------------------------|------------------------------|------------------|----------------------|
|  | 2011<br>R              | Restated 2010<br>R           | 2010<br>R        | Restated 2010<br>R   |
| <b>45. Prior period restatements (continued)</b>                         |                        |                              |                  |                      |
|  | As previously reported | Changes in accounting policy | Reclassification | Correction of errors |
| <b>Restated 2010</b>   | R'000                  | R'000                        | R'000            | R'000                |
| <b>Statement of Financial Position</b>                                   |                        |                              |                  |                      |
| Other debtors  | 687,153,413            | 4,871,903                    | (91,442,058)     | (23,831,837)         |
| Consumer debtors   | 2,301,898,565          | (6,913,454)                  | -                | 41,691,194           |
| Property, plant and equipment  | 14,347,518,186         | -                            | (386,660,500)    | (9,143,457)          |
| Leased assets  | 191,155,539            | -                            | (1,456,204)      | -                    |
| Investment property  | 6,179,586              | -                            | 399,982,933      | -                    |
| Biological assets (game)   | 13,322,433             | -                            | (13,322,433)     | -                    |
| Long-term receivables  | 209,128,370            | -                            | -                | (11,155,532)         |
| Lease liabilities - current portion                                      | (121,947,298)          | -                            | -                | 13,410,338           |
| Trade and other payables from exchange transactions                      | (2,992,897,760)        | -                            | -                | (94,941,042)         |
| VAT payable  | (254,727,362)          | -                            | 91,442,058       | -                    |
| Unspent conditional grants and receipts                                  | (399,774,235)          | -                            | -                | 76,135,873           |
| Lease liabilities non-current portion                                    | (78,178,021)           | -                            | (1,456,204)      | (11,147,373)         |
| Accumulated surplus  | (8,674,081,290)        | -                            | -                | 23,935,886           |
|  |                        |                              |                  | (8,650,145,404)      |
| <b>Cash flow statement</b>   |                        |                              |                  |                      |
| <b>Cash generated from operations</b>                                    |                        |                              |                  |                      |
| Cash receipts from ratepayers government & other                         | 12,797,611,349         | -                            | -                | (3,929,674)          |
| Cash paid to suppliers and employees                                     | (10,343,313,295)       | -                            | -                | 9,344,598            |
| Finance costs (interest paid)  | (594,921,799)          | -                            | -                | (5,435,973)          |
| Interest Income  | 96,769,021             | -                            | -                | -                    |
| Net cash generated from operations                                       | 1,956,145,276          | -                            | -                | (21,049)             |
|  |                        |                              |                  | 1,956,124,227        |
| <b>Cash flow from investing activities</b>                               |                        |                              |                  |                      |
| Purchase of property, plant & equipment                                  | (2,131,475,354)        | -                            | (21,711,050)     | (3)                  |
| Purchase of leased assets  | (30,685,071)           | -                            | -                | 1,485,566            |
| Proceeds from sale of financial assets                                   | 257,931,944            | -                            | -                | 2,972,550            |
| Asset impairment   | (22,025,456)           | -                            | 22,025,456       | -                    |
| Purchase of biological assets (game)                                     | 314,406                | -                            | (314,406)        | -                    |
| Net cash from investing activities                                       | (1,925,939,531)        | -                            | -                | 4,458,113            |
|  |                        |                              |                  | (1,921,481,418)      |
| <b>Cash flow from financing activities</b>                               |                        |                              |                  |                      |
| Finance lease payments   | (67,495,538)           | -                            | -                | (4,437,067)          |
| Net cash from financing activities                                       | (67,495,538)           | -                            | -                | (4,437,067)          |
|  |                        |                              |                  | (71,932,605)         |
| <b>46. Unauthorised expenditure</b>                                      |                        |                              |                  |                      |
| Opening balance  | 483,434,212            | 643,531,811                  | 593,210,770      | 538,899,568          |
| Unauthorised expenditure in current year                                 | 46,803,873             | 131,003,357                  | 56,990,535       | 213,013,747          |
| Less: Approved/condoned by Council in respect of previous financial year | (483,434,212)          | (291,100,956)                | (593,210,770)    | (158,702,545)        |
|  | 46,803,873             | 483,434,212                  | 56,990,535       | 593,210,770          |

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

### 46. Unauthorised expenditure (continued)

2011:

Unauthorised expenditure as a result of overspending of the budget amounted to R56 990 535 for the municipality and R46 803 873 for the group. These over expenditure amounts are not recoverable and a deviation report served before Council for approval and/or condonement in terms of section 28 and 29 of the MFMA on 25 August 2011 in respect of the over expenditures of the parent municipality.

2010:

Unauthorised expenditure as a result of overspending of the budget to the value of R213 013 747 (for the municipality) and R131 003 357 (for the group) occurred. These over expenditure amounts are not recoverable.

### 47. Fruitless and wasteful expenditure

|  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
| Opening balance                                    | 4,345,072        | 2,059,809        | 2,165,519        | 2,059,809        |
| Fruitless and wasteful expenditure in current year | 469,472          | 2,288,398        | 1,295            | 108,845          |
| Less: Transferred to irregular expenditure         | (404,576)        | -                | (404,576)        | -                |
| Less: Approved by Council/Condoned                 | (756)            | (3,135)          | (756)            | (3,135)          |
|  | <b>4,409,212</b> | <b>4,345,072</b> | <b>1,761,482</b> | <b>2,165,519</b> |

2008: Incident 1: Theft of laptop which an employee failed to register as an insurance claim to the amount of R24 200.

Disciplinary steps: Departmental hearing was held on 27 June 2008. Employee signed admission of guilt and amount will be deducted from his salary.

2008: Incident 2: Petty Cash - Late A Baduza to the amount of R756. Awaiting approval of report to Strategic Executive Director to write off this expenditure. Report to be written for amount to be written off.

2008: Incident 3: Unauthorised trip to Namibia by Dr M Kruger in the Office of the City Manager. Disciplinary steps: Awaiting authorisation. Authorisation given during 2008/09 (R57 414)

2008: Incident 4: Supply of fuel to contractor by Housing & Sustainable Human Settlement Development. Disciplinary steps: Investigation underway (R1 160 594)

2009: Incident 1: Electricity & Energy Department (R404 576) claims repudiated due to outstanding case numbers from cost centre. Disciplinary steps: None taken - amount was transferred to irregular expenditure during 2010/11.

2010: Incident 1: Office of the Executive Mayor - official booked lunch for meeting without approval - SED condoned as there was no wilful misconduct.

2010: Incident 2: Office of the Executive Mayor - approval of incorrect art work on bill board - SED condoned as there was no wilful misconduct.

2010: Incident 3: Office of the Executive Mayor - appointment of service provider for distribution of newsletter not approved - SED condoned there was no wilful misconduct.

2011: Incident 1: Housing & Sustainable Development - Official opening event of Loftus Gardens Clinic - name plate was already made when date was changed. No action taken as there was no wilful misconduct.

2010:Civirelo - Penalties for late/non-payment of taxes (R501 878) as a result of deregistering of company. No disciplinary action or other actions was taken as the matter did not arise due to fault of an employee.

2010:Civirelo - Interest on late/non-payment of taxes (R335 608) as a result of deregistering of company. No disciplinary action or other actions was taken as the matter did not arise due to fault of an employee.

2010 and 2011: Sandspruit Works Association - Interest paid to Rand Water due to late payment of account to the value of R199 509 (2010 = R1 160 516) and penalties and interest for SARS to the amount of R142 801. All necessary steps have been taken to prevent this expense and therefore no disciplinary steps have been taken.

2010 and 2011: Housing Company Tshwane - Interest, penalties, legal fees and recovery fees was incurred as a result of non-payment of the entity's creditors when due to the amount of R80 820 (2010 = R89 329). Objection was lodged and outcome is still pending.

2011: Civirelo - Penalties for late/non-payment of taxes (R16 019) as a result of deregistering of company. No disciplinary action or other actions was taken as the matter did not arise due to fault of an employee.

2011: Civirelo - Interest on late/non-payment of taxes (R109 848) as a result of deregistering of company. No disciplinary action or other actions was taken as the matter did not arise due to fault of an employee.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|   | Group   |                       | Municipality      |                       |
|---|---|-----------------------|-------------------|-----------------------|
|   | 2011<br>R   | Restated<br>2010<br>R | 2011<br>R         | Restated<br>2010<br>R |
| <b>48. Irregular expenditure</b>  |   |                       |                   |                       |
| Opening balance   | 166,842,709   | 831,141               | 166,842,709       | 831,141               |
| Add: Irregular Expenditure - current year   | 700,826   | 4,727,983             | 700,826           | 4,727,983             |
| Add: irregular expenditure due to non-compliance with Section 44 of MFMA                          | 20,020,727  | -                     | 20,020,727        | -                     |
| Add: Irregular expenditure during 2010/11 iro deviations relating to 2009/10                      | 94,454,151  | 161,584,434           | 94,454,151        | 161,584,434           |
| Add: Irregular expenditure during 2010/11   | 24,316,618  | -                     | 24,316,618        | -                     |
| Less: Approval/repayment during the current year  | (393,226)   | (300,849)             | (393,226)         | (300,849)             |
| Less: Irregular expenditure due to deviations approved by Council during 2010/11                  | (161,584,434)   | -                     | (161,584,434)     | -                     |
| Less: Non-compliance condoned relating to 2009/10   | (2,996,925)   | -                     | (3,830,477)       | -                     |
| Less: Irregular expenditure iro 2010 deviations approved by accounting officer & noted by council | (94,454,151)  | -                     | (94,454,151)      | -                     |
|   | <b>46,906,295</b>   | <b>166,842,709</b>    | <b>46,072,743</b> | <b>166,842,709</b>    |
| <b>Details of irregular expenditure – current year</b>  |   |                       |                   |                       |
|   | <b>Disciplinary steps taken/criminal proceedings</b>                                      |                       |                   |                       |
| 2007: Unapproved travelling to Swaziland  | None - report to be written   | 15,175                |                   |                       |
| 2009: Corporate & Shared Services - fraudulent payment of salaries                                | Reported in October 2008  | 150,337               |                   |                       |
| 2009: Sport, Recreation, Arts & Culture - New Year celebration                                    | Implementation of City Manager Report recommendation                                      | 553,360               |                   |                       |
| 2010: Sport Recreation Arts & Culture - procurement procedures not followed SAFA U/19 reception   | Awaiting outcome of Auditors and Legal Services   | 104,000               |                   |                       |
| 2010: Office of the Executive Mayor process. Forensic Audit is underway                           | Purchase of furniture outside official procurement  | 10,837                |                   |                       |
| 2011: Health & Social Development - repudiated claims   | Repudiated insurance claims originating from October 2008, November 2008 and January 2009 | 404,576               |                   |                       |
| 2011: Health & Social Development - spending for Madiba bash                                      | Blankets, marquee and party packs expenditure- ex facto payments                          | 296,250               |                   |                       |
| 2011: None disclosure by CoT employees - owning companies that rendered services to municipality  | Non-compliance with section 44 of the Municipal Supply Chain Management Regulations       | 20,020,727            |                   |                       |
| 2010 Office   | None - World Cup Soccer 2010 related expenditure  | 200,863               |                   |                       |
| 2009/10 actual expenditure on contracts during 2010/11  | Non-compliance with MFMA - no condonement by National Treasury                            | 94,454,151            |                   |                       |
| 2011: Irregular expenditure relating to 2010/11 National Treasury                                 | Non-compliance with MFMA - no condonement by  | 24,316,618            |                   |                       |
| Sandspruit Works Association  | None - World Cup Soccer 2010 related expenditure  | 159,980               |                   |                       |
| Civirelo Water  | None - salary related costs resolved by SARS now  | 673,572               |                   |                       |
| recovery process under taken by Legal Services  |   | <b>141,360,446</b>    |                   |                       |
| <b>Details of irregular expenditure condoned</b>  |   |                       |                   |                       |
|   | <b>Condoned by Council/City Manager/SED</b>   |                       |                   |                       |
| 2008: Cash shortage at Premos restaurant  | Manager undertook in writing to replace cash shortage                                     | 6,980                 |                   |                       |
| 2010: Community Safety - Payment of ESS system  | City Manager condoned payment on 26 July 2010   | 152,617               |                   |                       |
| 2010: 2010 Office - Printing of Host Cities brochure  | Condoned on 26 April 2010   | 148,232               |                   |                       |
| Deviations not in line with criteria of section 36 of SCM Regulations (refer note 56)             | Condoned by Accounting Officer and noted by Council                                       | 161,584,434           |                   |                       |
| 2009: Electricity & Energy Department - issuing of gas stove cost centre 109.30                   | Condoned according to declaration   | 112,269               |                   |                       |
| 2010: Health & Social Development condoned ex facto by City Manager                               | Irregular expenditure iro Multi Sectorial Aids Unit was                                   | 92,340                |                   |                       |
| 2010: None disclosure by CoT employees - owning companies that rendered services to municipality  | Condoned by Accounting Officer and noted by Council                                       | 212,120               |                   |                       |
| 2010: Misrepresentation by owners/directors of companies who are in service of state              | Condoned by Accounting Officer and noted by Council                                       | 3,618,357             |                   |                       |
| 2009/10 actual expenditure on contracts during 2010/11  | Condoned by Accounting Officer and noted by Council                                       | 94,454,151            |                   |                       |
|   |   | <b>260,381,500</b>    |                   |                       |

**City of Tshwane Metropolitan Municipality**  
 Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

**48. Irregular expenditure (continued)**

The irregular expenditure of R94 454 151 relates to the prior year deviations that were condoned in terms of the Supply Chain Management Policy by the Accounting Officer and were noted by Council initially. This irregular expenditure was then viewed as irregular subsequently to have not complied with section 36 of the Supply Chain Management Policy, which allow the Accounting Officer to dispense with the official procurement process established by policy to procure any required goods or services through any convenient process, but only:

- (i) in an emergency
- (ii) if such goods or services are produced or available from single provider only
- (iii) in any other exceptional case where it is impractical or impossible to follow the official procurement process.

The prerogative of approval and condonement of deviation is a permission granted to the accounting officer of the municipality and to be noted by Council, however these particular deviations were viewed as not having complied with regulation 36, namely not being emergency or impractical or impossible to follow official procurement process, in the prior year.

These prior year deviations were also contracts running for the future years, however condoned and certified by Council as irrecoverable which is the core competency and function of the Council.

**49. Financial instruments**

**Risks**

In the course of the Municipality's business operations it is exposed to interest rate, credit, liquidity and market risk. The Municipality has developed a comprehensive risk management process to monitor and control these risks. The risk management process relating to each of these risks is discussed under the headings below.

**Interest rate risk**

The Municipality manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments, as well as by entering into interest rate swap contracts on outstanding borrowings. The Municipality's exposure to interest rate risk and the effective interest rates on financial instruments at statement of financial position date are as follows:

**City of Tshwane Metropolitan Municipality**  
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**Notes to the Annual Consolidated Financial Statements**

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2010<br>R    | Restated 2010<br>R |

**49. Financial instruments (continued)**

Year ended 30 June 2011

| Fixed rate<br>Description          | Floating rate<br>R   | Amount<br>R          | Weighted<br>average<br>effective<br>interest rate<br>% | Weighted<br>average period<br>for which rate<br>is fixed<br>Years | Non-interest bearing |   |               |
|------------------------------------|----------------------|----------------------|--|---|----------------------|---|---------------|
|                                    |                      |                      |  |   | Amount<br>R          | Weighted<br>average period<br>until maturity<br>Years | Total<br>R    |
| <b>Assets</b>                      |                      |                      |  |   |                      |   |               |
| Investments                        | 403,746,642          | 216,442,661          | 11.17  | 13.67   |                      | 620,189,303   |               |
| Long-term receivables:             |                      |                      |  |   |                      |   |               |
| Housing loans                      |                      | 20,752,130           | 13.87  | 30.00   |                      |   | 20,752,130    |
| Motor car loans                    |                      | 63,748               |  | 8.66  | 6.00                 |   | 63,748        |
| Loans to sport clubs               |                      | 1,448,713            | 11.99  | 10.00   |                      |   | 1,448,713     |
| Study loans                        |                      |                      |  |   | 2,126                |   | 2,126         |
| Sale of Land                       |                      | 69,135,077           | 11.09  |   | 5.00                 |   | 69,135,077    |
| Arrangement debtors                |                      | 6,548,805            |  | -   |                      | 193,137,018   | 199,685,823   |
| Trade receivables:                 |                      |                      |  |   |                      |   |               |
| Consumer                           |                      | 3,489,889,274        |  | 9.30  | 1.00                 | 1,304,764,879   | 4,794,654,153 |
| Other                              |                      |                      |  |   |                      | 789,250,741   | 789,250,741   |
| Cash                               |                      | 410,094,727          |  |   |                      |   | 410,094,727   |
| <b>Total financial assets</b>      | <b>403,746,642</b>   | <b>4,214,375,135</b> |  |   | <b>2,287,154,764</b> | <b>6,905,276,541</b>                                  |               |
| <b>Liabilities</b>                 |                      |                      |  |   |                      |   |               |
| Interest bearing borrowings        | 2,760,798,459        | 2,767,996,173        |  | 9.91  | 15.00                |   | 5,528,794,632 |
| Interest rate swaps                |                      | 227,950,578          | 20.61  | 18.00   |                      |   | 227,950,578   |
| Lease liabilities                  |                      | 261,701,620          |  |   |                      |   | 261,701,620   |
| Trade payables:                    |                      |                      |  |   |                      |   |               |
| Creditors                          |                      |                      |  |   | 3,213,039,641        | 0.08  | 3,213,039,641 |
| Retention                          |                      |                      |  |   | 159,096,715          | 1.00  | 159,096,715   |
| Consumer deposits                  |                      |                      |  |   | 359,616,961          | 0.08  | 359,616,961   |
| Unspent grants and receipts        |                      |                      |  |   | 392,510,660          | 0.08  | 392,510,660   |
| VAT                                |                      |                      |  |   | 146,482,898          | 0.08  | 146,482,898   |
| <b>Total financial liabilities</b> | <b>2,760,798,459</b> | <b>3,257,648,371</b> |  |   | <b>4,270,746,875</b> | <b>10,289,193,705</b>                                 |               |

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**Notes to the Annual Consolidated Financial Statements**

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

**49. Financial instruments (continued)**

Year ended 30 June 2010

| Fixed rate<br>Description   | Floating rate<br>R | Amount<br>R   | Weighted<br>average<br>effective<br>interest rate<br>% | Weighted<br>average period<br>for which rate<br>is fixed<br>Years | Non-interest bearing |   |               | Total<br>R    |
|-----------------------------|--------------------|---------------|--|---|----------------------|---|---------------|---------------|
|                             |                    |               |  |   | Amount<br>R          | Weighted<br>average period<br>until maturity<br>Years |               |               |
| <b>Assets</b>               |                    |               |  |   |                      |   |               |               |
| Investments                 | 157,172,864        | 680,855,747   | 14.36  | 13.62   |                      |   | 838,028,611   |               |
| Long-term receivables:      |                    |               |  |   |                      |   |               |               |
| Housing loans               |                    | 57,271,605    | 13.87  | 30.00   |                      |   |               | 57,271,605    |
| Motor car loans             |                    | 104,645       |  | 8.66  | 6.00                 |   |               | 104,645       |
| Loans to sport clubs        |                    | 1,517,494     | 11.99  | 10.00   |                      |   |               | 1,517,494     |
| Study loans                 |                    |               |  |   | 3,827                |   |               | 3,827         |
| Sale of Land                |                    | 73,006,819    | 11.09  |   | 5.00                 |   |               | 73,006,819    |
| Arrangement debtors         |                    | 8,449,253     |  |   |                      | 225,716,613   | 234,165,866   |               |
| Trade receivables:          |                    |               |  |   |                      |   |               |               |
| Consumer                    |                    | 3,207,994,344 | 10.55  |   | 1.00                 | 1,079,894,085   | 4,287,888,429 |               |
| Other                       |                    |               |  |   |                      | 838,051,922   | 838,051,922   |               |
| Cash                        |                    | 111,632,939   |  |   |                      |   | 111,632,939   |               |
| Total financial assets      | 157,172,864        | 4,140,832,846 |  |   |                      | 2,143,666,447   | 6,441,672,157 |               |
| <b>Liabilities</b>          |                    |               |  |   |                      |   |               |               |
| Interest bearing borrowings | 179,026,145        | 4,525,506,533 | 10.91  | 14.61   |                      |   |               | 4,704,532,678 |
| Interest rate swaps         |                    | 199,318,558   | 20.61  | 17.79   |                      |   |               | 199,318,558   |
| Lease liabilities           |                    | 267,620,857   |  |   |                      |   |               | 267,620,857   |
| Trade payables:             |                    |               |  |   |                      |   |               |               |
| Creditors                   |                    |               |  |   | 2,948,077,767        |   | 0.08          | 2,948,077,767 |
| Retention                   |                    |               |  |   | 153,980,649          |   | 1.00          | 153,980,649   |
| Consumer deposits           |                    |               |  |   | 321,806,961          |   | 0.08          | 321,806,961   |
| Unspent grants and receipts |                    |               |  |   | 329,318,555          |   | 0.08          | 329,318,555   |
| VAT                         |                    |               |  |   | 161,990,243          |   | 0.08          | 161,990,243   |
| Bank overdrafts             |                    | 12,979,239    |  |   |                      |   |               | 12,979,239    |
| Total financial liabilities | 179,026,145        | 5,005,425,187 |  |   |                      | 3,915,174,175   |               | 9,099,625,507 |

**Interest rate swaps**

The Municipality has entered into interest rate swap contracts that entitle it to receive interest at fixed rates/floating rates on notional principal amounts and that oblige it to pay interest at variable rates/fixed rates on the same amounts. The interest rate swaps allow the Municipality to raise long-term borrowings at fixed rates/floating rates and effectively swap them into variable rates/fixed rates in terms of the structured finance contractual requirements.

The estimated fair value gain/(loss) indicated below was determined by comparing the interest rate swap contracted values (fixed rate) with the variable rate paid.

At the statement of financial position date the Municipality had entered into the following interest rate swaps relating to specific statement of financial position items:

# City of Tshwane Metropolitan Municipality

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|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

### 49. Financial instruments (continued)

|                         | Fair value<br>R | Estimated fair<br>value<br>gain/(loss)<br>R |
|-------------------------|-----------------|---|
| Year ended 30 June 2011 | 200,000,000     | -   |
| Year ended 30 June 2010 | 200,000,000     | -   |

#### Currency risk

The Municipality undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations might arise. The Municipality, however, manages this risk by entering into contracts where the risk is carried by the service provider.

#### Credit risk

Financial assets, which potentially subject the Municipality to the risk of non-performance by counter-parties and thereby subject the Municipality to concentrations of credit risk, consist mainly of trade receivables. Credit risk is controlled through the application of a credit control policy and monitoring procedures. Where necessary, the Municipality obtains appropriate deposits and guarantees from debtors to mitigate risk. The Municipality's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

The Municipality limits its treasury counter-party exposure arising from money market by only dealing with well established financial institutions confirmed by the rating agency appointed by the Chief Financial Officer. The Municipality only deals with financial institutions with a short term credit rating of A+ and long-term credit rating of AA- and higher at an International accredited credit-rating agency. The Municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions.

Credit risk with respect to trade receivables is limited due to the large number of customers comprising the Municipality's customer base and their dispersion across different industries and geographical areas. The Municipality does not have any significant exposure to any individual customer or counter-party. Accordingly, the Municipality does not consider there to be any significant concentration of credit risk, which had not been adequately provided for. Trade receivables are presented net of the allowance for impairment.

Maximum exposure to credit risk: There has been no significant change during the financial year, or since the end of the financial year, to the municipality's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing this risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking into account the value of any collateral obtained.

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

|   | 30 June 2011                  | 30 June 2010                  |
|---|-------------------------------|-------------------------------|
| <b>Consumer debtors:</b>                |                               |                               |
| Household                               | 56                            | 56                            |
| Industrial/Commercial                   | 17                            | 15                            |
| National and Provincial Government      | -                             | 1                             |
| Other consumer debtors                  | 11                            | 10                            |
| <b>Other debtors:</b>                   |                               |                               |
| Other (long-term receivables and other) | 16                            | 18                            |
|   | <hr/> <hr/> <hr/> <hr/> <hr/> | <hr/> <hr/> <hr/> <hr/> <hr/> |
|   | 100                           | 100                           |

**City of Tshwane Metropolitan Municipality**  
Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

**49. Financial instruments (continued)**

**Liquidity risk**

The Municipality manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained. In terms of its borrowing requirements, the municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments. In terms of its long-term liquidity risk, a reasonable balance is maintained between the period over which assets generate funds and the period over which the respective assets are funded. Capital expenditure budgeted and forecast cash flow calculations are funded as follows from the capital market:

|                                       | 30 June 2011<br>R | 30 June 2012<br>R | 30 June 2013<br>R |
|---------------------------------------|-------------------|-------------------|-------------------|
| External funding: capital expenditure | 1,361,000,000     | 1,500,000,000     | 1,500,000,000     |

**Market risk**

The Municipality is exposed to fluctuating market prices inherent in the purchasing of electricity, water and coal used in the delivery of electricity and water services. The Municipality manages this risk by giving any price increases through to the consumers on an annual basis. An agreement has been entered into with both Eskom and Rand Water that tariff increases occur only once a year.

**Interest rate risk management:** The Municipality's interest rate profile consists of fixed and floating rate loans and bank balances which exposes the municipality to fair value interest rate risk and cash flow interest rate risk and can be summarised as follows:

**Financial assets/liabilities:**

**Trade and other receivables/payables:** At a fixed rate of interest.

Management manages interest rate risk by negotiating beneficial rates on floating rate loans and where possible using fixed rate loans. Management also has a policy of balancing the interest on asset loans with the interest payable on liabilities

**Fair values**

The Municipality's financial instruments consist mainly of cash and cash equivalents, trade receivables, investments, trade payables, long-term debt and derivative instruments (interest rate swaps).

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale or held-for-trading. The following methods and assumptions are used to determine the fair value of each class of financial instrument:

**Cash and cash equivalents**

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities

**Trade receivables (debtors)**

The carrying amount of trade receivables, net of provision for impairment (provision for bad debt) approximates fair value due to the relatively short-term maturity of these financial assets.

**Investments**

Investments are carried at their original cost in the statement of financial position, except for those where the interest received semi annually are capitalised. The fair value of publicly traded instruments is based on quoted market prices for those investments.

**Trade payables**

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

**Interest bearing borrowings**

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Financial Performance over the period of the borrowings on an effective interest basis. The fair value of interest bearing borrowings with variable interest rates approximates their carrying amounts.

# City of Tshwane Metropolitan Municipality

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## Notes to the Annual Consolidated Financial Statements

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|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

### 49. Financial instruments (continued)

#### Derivatives (interest rate swaps)

Derivative financial instruments (interest rate swaps) are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates.

The fair value of financial liabilities at statement of financial position date are as follows:

| Year ended          | Fair value<br>R | Carrying<br>amount<br>R |
|---------------------|-----------------|-------------------------|
| <b>30 June 2011</b> |                 |                         |
| Liabilities         |                 |                         |
| Interest rate swaps | 200,000,000     | 200,000,000             |
| <b>30 June 2010</b> |                 |                         |
| Liabilities         |                 |                         |
| Interest rate swaps | 200,000,000     | 200,000,000             |

#### Maturity profile

The maturity profiles of financial assets and liabilities at statement of financial position date are as follows:

#### Year ended 30 June 2011

|                               | 1 Year or less<br>R  | 1 to 5 years<br>R  | Over 5 years<br>R | Total<br>R           |
|-------------------------------|----------------------|--------------------|-------------------|----------------------|
| <b>Assets</b>                 |                      |                    |                   |                      |
| Investments                   | 496,337,962          | 123,820,833        | 30,508            | 620,189,303          |
| Long-term receivables:        |                      |                    |                   |                      |
| Housing loans                 |                      |                    | 20,752,130        | 20,752,130           |
| Motor car loans               | 63,748               |                    |                   | 63,748               |
| Loans to sport clubs          |                      |                    | 1,448,713         | 1,448,713            |
| Study loans                   | 2,126                |                    |                   | 2,126                |
| Sale of Land                  |                      | 69,135,077         |                   | 69,135,077           |
| Arrangement debtors           | 100,345,675          | 99,340,148         |                   | 199,685,823          |
| Cash                          | 410,094,727          |                    |                   | 410,094,727          |
| <b>Total financial assets</b> | <b>1,006,844,238</b> | <b>292,296,058</b> | <b>22,231,351</b> | <b>1,321,371,647</b> |

#### Liabilities

|                                    |                    |                      |                      |                       |
|------------------------------------|--------------------|----------------------|----------------------|-----------------------|
| Interest bearing borrowings        | 9,903,035          | 97,267,701           | 5,421,623,896        | 5,528,794,632         |
| Interest rate swaps                | 227,950,578        |                      |                      | 227,950,578           |
| Lease liabilities                  | 127,547,795        | 134,153,825          |                      | 261,701,620           |
| Trade payables:                    |                    |                      |                      |                       |
| Creditors                          |                    | 3,213,039,641        |                      | 3,213,039,641         |
| Retention                          |                    | 159,096,715          |                      | 159,096,715           |
| Consumer deposits                  |                    | 359,616,961          |                      | 359,616,961           |
| Unspent grants and receipts        |                    | 392,510,660          |                      | 392,510,660           |
| VAT                                |                    | 146,482,898          |                      | 146,482,898           |
| <b>Total financial liabilities</b> | <b>365,401,408</b> | <b>4,502,168,401</b> | <b>5,421,623,896</b> | <b>10,289,193,705</b> |

# City of Tshwane Metropolitan Municipality

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|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

### 49. Financial instruments (continued)

Year ended 30 June 2010

|                                    | 1 Year or less<br>R  | 1 to 5 years<br>R  | Over 5 years<br>R    | Total<br>R           |
|------------------------------------|----------------------|--------------------|----------------------|----------------------|
| <b>Assets</b>                      |                      |                    |                      |                      |
| Investments                        | 623,744,079          | 210,282,310        | 4,002,222            | 838,028,611          |
| Long-term receivables:             |                      |                    |                      |                      |
| Housing loans                      |                      |                    | 57,271,605           | 57,271,605           |
| Motor car loans                    | 104,645              | 173,915            |                      | 278,560              |
| Loans to sport clubs               |                      |                    | 1,517,494            | 1,517,494            |
| Study loans                        | 3,827                |                    |                      | 3,827                |
| Sale of Land                       |                      | 73,006,819         |                      | 73,006,819           |
| Arrangement debtors                | 115,795,021          | 118,370,845        |                      | 234,165,866          |
| Cash                               | 111,632,939          |                    |                      | 111,632,939          |
| <b>Total financial assets</b>      | <b>851,280,511</b>   | <b>401,833,889</b> | <b>62,791,321</b>    | <b>1,315,905,721</b> |
| <b>Liabilities</b>                 |                      |                    |                      |                      |
| Interest bearing borrowings        | 316,577,011          | 105,765,372        | 4,282,190,295        | 4,704,532,678        |
| Interest rate swaps                |                      | 227,949,356        |                      | 227,949,356          |
| Lease liabilities                  | 108,536,960          | 90,781,598         |                      | 199,318,558          |
| Trade payables:                    |                      |                    |                      |                      |
| Creditors                          | 2,946,664,625        |                    |                      | 2,946,664,625        |
| Retention                          | 153,980,649          |                    |                      | 153,980,649          |
| Consumer deposits                  | 321,806,961          |                    |                      | 321,806,961          |
| Unspent grants and receipts        | 329,318,555          |                    |                      | 329,318,555          |
| VAT                                | 161,990,243          |                    |                      | 161,990,243          |
| Bank overdrafts                    | 12,979,239           |                    |                      | 12,979,239           |
| <b>Total financial liabilities</b> | <b>4,351,854,243</b> | <b>424,496,326</b> | <b>4,282,190,295</b> | <b>9,058,540,864</b> |

### Hedging

Hedging is not applicable in the environment of the Municipality.

### 50. In-kind donations and assistance

The Municipality received the following in-kind- donations and assistance:

- Secondment of one(1) representatives from SAICA

### 51. Operating leases

The municipality leases premises (buildings and parking) from various property owners for terms ranging from three to five years with fixed annual escalation ranging from 8% to 10%. The municipality has the option to extend the agreement for periods ranging between one month and three years.

The amounts of minimum lease payments under non-cancellable and cancellable operating leases in respect of office equipment and properties are as follows:

|   |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|
| <b>Non-cancellable office equipment</b> |                    |                    |                    |                    |
| Payable within a year                   | 7,027,900          | 11,398,360         | 2,790,403          | 6,218,971          |
| Payable within 2 to 5 years             | 4,567,355          | 12,100,648         | 1,293,281          | 3,856,048          |
|   | <b>11,595,255</b>  | <b>23,499,008</b>  | <b>4,083,684</b>   | <b>10,075,019</b>  |
| <b>Non-cancellable property leases</b>  |                    |                    |                    |                    |
| Payable within a year                   | 109,870,747        | 106,873,654        | 109,870,747        | 106,873,654        |
| Payable within 2 to 5 years             | 97,056,693         | 185,269,063        | 97,056,693         | 185,269,063        |
|   | <b>206,927,440</b> | <b>292,142,717</b> | <b>206,927,440</b> | <b>292,142,717</b> |

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|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

**52. Rental income straight lining**

|  |             |             |             |             |
|--|-------------|-------------|-------------|-------------|
| <b>Gross investment in the lease due</b> |             |             |             |             |
| - within one year                        | 5,406,423   | 6,303,960   | 5,406,423   | 6,303,960   |
| - in second to fifth year inclusive      | 17,016,887  | 17,419,599  | 17,016,887  | 17,419,599  |
| - later than five years                  | 214,672,635 | 219,676,346 | 214,672,635 | 219,676,346 |
|  | 237,095,945 | 243,399,905 | 237,095,945 | 243,399,905 |

**53. Contingencies**

|   |         |         |         |         |
|---|---------|---------|---------|---------|
| <b>Housing loan guarantees</b>                                      |         |         |         |         |
| Guarantees for housing loans to employees at financial institutions | 442,485 | 464,702 | 442,485 | 464,702 |

With the implementation of the MFMA no new guarantees are issued, the liability will therefore decrease in future. The property is used as collateral in cases of default of payments.

**Indemnification**

|  |            |            |            |            |
|--|------------|------------|------------|------------|
| Capitalised pension value in compliance with Compensation for Occupational Injuries and Diseases Act, 1993 | 49,229,513 | 41,303,607 | 49,229,513 | 41,303,607 |
|--|------------|------------|------------|------------|

The capitalised value as at 31 December as calculated by the department of Labour amounted to R49 229 513 (2010 = R41 303 607 and 2009 = R41 303 607). Only R49 229 513 of the R50 630 354 investment is required to be ceded.

Consistent with prior years the amendment to the cession will be addressed in the following financial year.

|                                      |         |         |         |         |
|--------------------------------------|---------|---------|---------|---------|
| <b>Guarantees issued</b>             |         |         |         |         |
| Guarantees issued in favour of Eskom | 213,500 | 213,500 | 213,500 | 213,500 |

**Insurance claims**

|  |            |            |            |            |
|--|------------|------------|------------|------------|
| Pending claims iro asset-, motor own damage-contractors and electricity claims | 821,890    | 14,907,142 | 821,890    | 14,907,142 |
| Pending claims iro public liabilities  | 24,052,072 | 34,189,660 | 24,052,072 | 34,189,660 |
|  | 24,873,962 | 49,096,802 | 24,873,962 | 49,096,802 |

Above mentioned insurance claims originated before 30 June.

The payment of claims against the City of Tshwane is provided for in the Self Insurance Reserve, which has a balance of R134.4 million (2009/10 = R146.3 million and 2008/09 = R190,7 million).

Civirelo Water (disestablished) had unresolved legal matters. The claims have been transferred to the City of Tshwane in terms of the Transfer Agreement and the City of Tshwane's attorneys are in the process of negotiating with certain consulting engineers and contractors regarding claims of the company.

Housing Company Tshwane have two pending court cases against the entity by Savika Security and Dolo's for unpaid services rendered to the amount of R715 475 and R47 303 respectively. These amounts have been fully provided for.

# City of Tshwane Metropolitan Municipality

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|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

### 53. Contingencies (continued)

#### Litigation Matters:

The legal claims listed below are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable. Amounts have not been provided in certain cases as the court has not yet determined a value. The claims are divided in the under mentioned groups:

##### a. General litigations:

###### City Planning, Development & Regional Services Department:

###### Case 1:

The applicant requested information from the City of Tshwane to enable the applicant to institute proceedings against the respondent. The information was provided as per the granted Court Order. The applicant then brought an action for damages against the respondent. The City of Tshwane is not involved as the applicant requested no legal relief against the City of Tshwane. The City of Tshwane however decided to inform the court of our approach on the matter. This matter is being reported as there is a potential for the respondent to sue. The matter is still pending as a trial date and judgement is awaited.

###### Case 2:

The claimant had entered into agreements in respect of various advertising sites that were allocated to the claimant in terms of a council resolution in 2002. The various agreements were entered into in 2005 and in terms of the agreements; the claimant was to erect advertising structures. These advertising structures were to generate income for the claimant and the City of Tshwane would, in turn, be entitled to monthly payment for the allocation of the sites. In 2007 the City of Tshwane cancelled the agreements because the claimant failed to comply with various terms of the agreements. City of Tshwane already pleaded in this matter. The consolidation of the claims and the counter claims has been approved by the court. Due to reluctance of the plaintiff to set the matter down for hearing, the City of Tshwane is now in the process to apply for a trial date. Summons were issued against the City of Tshwane for the specific performance of the contracts between the plaintiff and City of Tshwane, alternatively damages to the amount of R15 300 000.

###### Case 3:

Claimant is suing City of Tshwane for R44 000 000 for cancellation of the contract agreement to the build new Munitoria Offices as architectures. During 1997 the former City Council of Pretoria invited entries to a competition for the design of the new Munitoria offices. The winner of the competition would form part of the team to manage the project. The claimant won the competition and was commissioned as the architects. This agreement was eventually cancelled/or repudiated around 2006 & 2007 by the City of Tshwane hence claimant is suing for breach of contract. A date of cancellation of the agreement was also disputed. The City of Tshwane has filed an amended plea. A trial date was set for 5 August 2011.

###### Case 4:

The City of Tshwane had previously sold a piece of land to the claimant in an amount of R29 000. Part of the condition of the land sale agreement was that the claimant would apply for street closure and rezoning; and affect all incidental requirements related therefore. The plaintiff was never party to the agreement. However, the plaintiff is of the opinion that they have an interest in the sale agreement as the relevant property sold borders their property. The proposed sale was advertised according to the prescribed procedure and no objections were received. The City of Tshwane awaits the confirmation of the trial date which must be requested by the plaintiff.

###### Case 5:

The applicant brought an application that the City of Tshwane declared to be ordinary members of the Boskoop Estate Property Owners Association (section 21 company) and that the City of Tshwane be compelled to enforce the conditions of establishment of Wapadrand Extension 44. The application was served on the City of Tshwane on 17 February 2011. In this regard the applicant brought the application against the developer of the estate as well as against the City of Tshwane and request the court to compel the City of Tshwane to enforce the conditions of establishment and to be declared to be in default of enforcing the conditions. If this application succeeds it will force the City of Tshwane to get involved in all section 21 companies which was created through the process of land use applications i.e. rezoning, township establishment and subdivisions. Attorneys were instructed to oppose the matter and an opposing affidavit was filed. A trial date is awaited.

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|-------|--------------|--------------------|-----------|
|       | 2011<br>R    | Restated 2010<br>R | 2011<br>R |

### 53. Contingencies (continued)

#### Housing and Sustainable Human Settlement Development Department:

##### Case 1:

In this matter the property was expropriated by the City of Tshwane and compensation was paid. The owners did not agree with the compensation paid and brought action for additional compensation. This is a complicated matter and will have a bearing on other claimant's claims in the area as another expropriation was done in the area to provide low cost housing.) The relief sought amounts to: R746 110 (compensation), R43 700 as solatium in terms of the Expropriation Act and payment of interest on R746 110. There is also a potential risk of a flood of claims. The matter was postponed "sine die" and cost reserved. The matter is set down for trial on 6 October 2011.

##### Case 2:

Two actions were lodged, namely for the loss the applicant suffered as the land was sold for less than what it could be sold for if there was no informal settlers on the property. The claim for damages by the original owner is an amount of R4.2 million. This claim is based on the omission of council to remove the squatters on time. The second claim is brought by the new owners to compel City of Tshwane to remove informal settlers as per the undertaking by the City of Tshwane. A settlement was reached in terms of which the City of Tshwane paid R3,5 million as compensation in respect of the first claim. In respect of the specific compliance action the City of Tshwane undertook to remove the squatters in phases over a period of time. The matter was settled and the Housing Department has to implement the settlement agreement.

#### Financial Service Department:

##### Case 1:

Plaintiff claims damages to the amount of R11 461 450 as she maintains that the tender for network maintenance should have been awarded to her. The application brought by the applicant was defective. The City of Tshwane is at present awaiting the amended claim, where after a decision will be taken on the way forward. A notice of exception was served on the applicant's attorneys as the amended particulars of the claim were still excipable.

##### Case 2:

Claim against City of Tshwane for fees outstanding for work done in terms of contract to the amount of R207 589.99. The matter is defended as no agreement exists. However, the City of Tshwane entered into an agreement with a consortium to do certain work of which the plaintiff was a party. The consortium has been paid for the service rendered. This matter was set down for trial on 10 November 2009 but the plaintiff withdrew the application. The City of Tshwane is awaiting further report from our attorneys whether the plaintiff is prepared to pay the City of Tshwane's legal costs. Only after this report has become available a decision will be taken on whether an application must be brought to compel the plaintiff to pay the City of Tshwane's legal costs. The Legal Services Department is still in process to recover legal costs from the plaintiff.

##### Case 3:

In this matter a summons was issued against the City of Tshwane for an amount of R2 622 000 being for services rendered. In this matter the plaintiff claims that a written and oral agreement was concluded with the City of Tshwane in terms of which the applicant would develop a long term financial sustainability plan for the City of Tshwane. The matter was heard by the Court. The City of Tshwane opposed the application for summary judgement as lodged by the applicant as it does not conform to the requirements of a summary judgement in this specific case. The Court granted the City of Tshwane leave to defend and the cost was reserved. In the meantime the applicant has lodged his amended application. This amendment to the application as aforementioned will be opposed by the City of Tshwane. The City of Tshwane awaits a trial date.

##### Case 4:

The plaintiff issued a summons in which debatement (reconciliation) of two service accounts are requested as the plaintiff avers that these accounts are defective and inadequate in certain respects. The summons was served on the City of Tshwane on 1 March 2011. In this regard the plaintiff avers that two service accounts are not correct and defective. The plaintiff also avers that the plaintiff have requested the City of Tshwane to debate the service accounts which were not done. This is the reason why they issued summons, to defend the action and put the City of Tshwane's version of the history of the two accounts (debit to the amount of R49 636.10 and credit to the amount of R5 000.00) before the court the City of Tshwane is proceeding to file an exception to the summons.

##### Case 5:

The plaintiff issued a summons against the City of Tshwane in which the plaintiffs request delivery of all accounts and documents that relate to all bulk services contributions claimed by the City of Tshwane from subsequent developers that connected to the sewer line erected by the plaintiff which must be refunded by the plaintiffs. The plaintiffs further aver that the City of Tshwane might owe them money. The City of Tshwane is proceeding to file an exception to the summons.

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|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

**53. Contingencies (continued)**

**Case 6:**

Implementation of the NERSA (electricity regulator) ruling regarding the adjustment and crediting of the applicant's account. The applicant had queried an account on the basis of electricity charges. The applicant questioned the accuracy of the City of Tshwane's meter. As such the applicant approached the Court on an urgent basis to compel the City of Tshwane to refer the dispute to NERSA and not to implement credit control policies pending ruling by NERSA. The matter did eventually go to NERSA and NERSA made a ruling to the effect that the City of Tshwane had to credit the applicant's account with an amount of R42 599.19. Despite this ruling being made in 2009 the Finance Department has not implemented the NERSA decision. It is the view of the Finance Department that the NERSA decision is wrong as it was based on a report which contained wrong calculations.

**Corporate and Shared Services Property Management:**

**Case 1:**

City of Tshwane is being sued for nearly R3 200 000 which according to the plaintiff is the loss they suffered as a result of failure by City of Tshwane to give transfer on properties in accordance with sale agreement. The City of Tshwane sold a stand to a third party after a sale agreement with the first party was concluded. The said properties have been transferred to the third party. The result was that the City of Tshwane could not give transfer to the applicant and the City of Tshwane is now being sued for damages. Awaiting a trial date.

**Public Works and Infrastructure Development Department: Roads & Storm water:**

**Case 1:**

The plaintiff is suing the City of Tshwane for an amount of R2 616 642 plus interest and costs. This matter stems from three contracts entered into between the then Northern Pretoria Metropolitan Sub-Structure on the one hand and plaintiff together with a third party as a joint venture on the other hand. The contractors had to in terms of the agreements construct and complete the work, as defined and remedy any defects therein, in accordance with the provision of the three contracts. The contractor claimed to have constructed and completed the works to the satisfaction of the engineer and the City of Tshwane. The contractor alleges, that due to the non performance on the part of the municipality in not providing them information and the failure to move the existing services (to allow construction to progress), the project suffered serious delays which resulted in time delays and they suffered damages. A new trial date is awaited.

**Case 2:**

The plaintiff was injured in 1996 when she drove through a pothole, lost control of her car and collided into a tree. Summons was issued in 1999 for an amount of R450 000 plus interest for injuries sustained. The matter was defended. A trial date for the adjudication of the quantum is awaited for the settlement.

**Agricultural and Environmental Management Department: Waste Environmental Management:**

**Case 1:**

The plaintiff issued summons for damages for the alleged breach of contract by appointing two new contractors before the expiry of the tender. Relief sought is payment in the amount of R99 689.00 (excluding VAT); interest on the aforesaid amount and at the rate of 15.5% per annum as from 30 June 2009 to date of payment; payment in the amount of R82 696 (excluding VAT). Interest on the aforesaid amount at the rate of 15.5% per annum from 31 July 2009; payment in the amount of R97 349.00, interest on the aforesaid amount at the rate of 15.5% per annum as from 30 September 2009 to date of payment; payment in the amount of R79 181, interest on the aforesaid amount at the rate of 15.5% per annum as from 31 October 2009 to date of payment. Cost of the suit. Further and/or alternative relief.

**Social Development Department, Sport and Recreation**

**Case 1:**

Application for rescission of judgement taken against the Stadsraad van Centurion for payment of license fees relating to music licenses (music was allegedly piped through the City of Tshwane's systems in public halls). The City of Tshwane is seeking an order setting aside the judgement taken in default by the Southern African Music Rights Organisation for payment of an amount of R14 969.66 in license fees. The City of Tshwane has launched an application for rescission of judgement. The City of Tshwane's contention is that the summons was not properly served. The summons was issued against the Centurion Town Council which no longer exists. The summons was also issued in Johannesburg Magistrates Court while the said court does not have jurisdiction. In addition the amounts claimed have prescribed. Awaiting court date.

**b. Court matters for Finance Service Department (Debt Collection):**

Urgent applications were also served on the City of Tshwane to obtain a Court order to re-connect disconnected services. Further legal actions, including applications for Contempt of Court, were instituted by the applicants to compel the City of Tshwane to adhere to the orders granted. The cost orders that were granted against the City of Tshwane amounts to a minimum of R20 000 per case. Currently 35 such cases are pending.

# City of Tshwane Metropolitan Municipality

Annual Consolidated Financial Statements for the year ended 30 June 2011

## Notes to the Annual Consolidated Financial Statements

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

### 53. Contingencies (continued)

#### c. Labour prosecutions:

The municipality is involved in litigation with certain employees whose employment was terminated as a result of re-organization or dismissals due to disciplinary reasons, disputes in respect of allowances, placing policies, disputes with unions and SALGA, etc. The following is a summary of the cases:

##### Case 1:

Senior employees of disestablished municipalities e.g. City Council of Pretoria, Centurion, GPMC and Northern Pretoria Metropolitan Sub-structure: These employees are stating that they have not been employed in the positions they used to occupy before the disestablishment. It could have a huge financial implication as these employees will have to be paid severance packages. Settlement agreement signed on behalf of SALGA and various municipalities that revolve around the re-employment of former permanent employees on fixed term contracts (commonly known as "section 56 employees"). The case is still to be heard in court. The applicants will in all probability not proceed with their case against City of Tshwane.

##### Case 2:

An employee issued summons against Council out of the High Court. Applicant approached court on the pretext that City of Tshwane breached his section 57 contract. Applicant is suing the municipality from all fora available to him. The City of Tshwane could be liable for breach of contract as well as other costs. The court ordered that the matter be removed from the roll and costs to be awarded against applicant. The applicant has submitted a request for rescission of the initial award and the order of 6 December 2010. The City of Tshwane is waiting for the outcome of the matter.

##### Case 3:

Approximately 43 metro police members: Unfair labour practice relating to promotion. Applicants claimed that they should be promoted to senior superintendents in the Metro Police Division.

##### Case 4:

Unfair dismissal: The employee's services had been terminated after it was discovered that their re-employment to the City of Tshwane had not been in line with the recruitment and selection policy of the City of Tshwane. The approached the SALGBC with a dispute of unfair dismissal. The court order is awaited.

##### Case 5:

Claimant and 99 other metro police constables: Applicants lodged an application at the High Court claiming to be accelerated progressed to the rank of sergeants in terms of the grading scheme and on grounds of a legitimate expectation created by the City of Tshwane in this respect. A Notice of Opposition has been filed, a consultation with the Division was held and a bundle of documents is now being compiled in order to draft an opposing affidavit. Senior counsel will also be involved taking into account the impact of an adverse decision on the City of Tshwane as well as the monetary amount involved. The parties are currently exchanging pleadings.

##### Case 6:

Claimant is taking an award against him on review to Labour Court. Claimant approached an arbitrator and requested that he be promoted to the rank of Director in the Community Safety Department (Metro Police). He complained that he applied for the position but was not short listed nor invited to job interviews. The Arbitrator ruled that he in fact did not apply for the position and dismissed his claim. He is now taking this award on review to Labour Court. A Notice of Opposition was filed. City of Tshwane are awaiting the transcript of the record of the arbitration where after the parties need to comply with the rules of the court before the matter will be set down for hearing.

##### Case 7:

Unfair dismissal: The employee had been dismissed for misconduct at the Disciplinary Tribunal of the City of Tshwane. The employee now challenges the dismissal as being both procedurally and substantively unfair. This matter is in the process of complying with the Rules of the Court and awaits the date of hearing soon after completion of the court process.

##### Case 8:

Unfair Labour Practice relating to promotion in terms of the ASD Migration and Placement Collective Agreement. This matter is in the process of complying with the Rules of the Court and awaits the date of hearing soon after completion of the court process. The applicant has in the meantime approached City of Tshwane with an offer to resign should an amount of R600 000 be paid to him as settlement. This is the approximate amount he lost would he have been appointed to the position he claimed to be in. Electricity and Energy Division is in favour of this settlement and a report to this effect has been prepared for approval by the Accounting Officer.

##### Case 9:

Solidarity o.b.o. Augusto & 28 others: Claim i.t.o. sec. 77(3) & 77(A) of the B.C.E.A., claim for unpaid salaries, unlawful deductions and their contracts of service. Applicants were employed by a labour broker contracting to the City of Tshwane. The broker deducted certain amounts from the salaries of the employees. The broker then went into liquidation leaving the employees only with a claim against Council as we are held jointly and severally liable with the broker i.t.o. labour legislation. The Department has however withheld certain payments to the broker due to invoices not submitted and the bulk of their claims centred on these outstanding amounts. A settlement was negotiated with the contractors and we are in the process of finalizing the case. Council has done away with hiring workers via labour broking firms. Figures were given through and the City of Tshwane are awaiting a final reply.

# **City of Tshwane Metropolitan Municipality**

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## **Notes to the Annual Consolidated Financial Statements**

|  | Group |               | Municipality |               |
|--|-------|---------------|--------------|---------------|
|  | 2011  | Restated 2010 | 2011         | Restated 2010 |
|  | R     | R             | R            | R             |

**53. Contingencies (continued)**

### Case 10:

Unfair Labour Practice relating to promotion: The employee had successfully obtained an arbitration award in his favour against the City of Tshwane at the SALGBC that he be appointed and/or promoted to a senior position. This matter is in the process of complying with the Rules of the Court and awaits the date of hearing soon after completion of the court process.

Case 11:

Applicant alleges that he was demoted when the structure changed and he now had to report to an official in higher job level as previously he reported to the Speaker. Applicant's attorney approached the City of Tshwane to investigate the possibility of termination of his contract but that he is paid out for the rest of his fixed term.

### Additional text

d. Litigation matters that have a strategic and financial impact on the management of City of Tshwane:

Case 1:

The applicant referred a claim to the amount of R32 000 000 to arbitration which claim emanates from services the applicant allegedly rendered for the City of Tshwane in terms of a contract to refurbish Loftus Versveld for the 2010 World Cup. In this matter the applicant had a contract with the City of Tshwane to refurbish Loftus Versveld stadium. His contract was cancelled. He now avers that there are monies owed to him. The matter will be referred to arbitration and we expect that an arbitrator will be appointed soon. This matter is still in process.

**54. Change in estimate**

## Property, plant and equipment

Sandspruit Municipal Entity: The useful life of certain plant, equipment and vehicles was revised during the year under review. The effect of this revision has increased the depreciation charge for the current and future periods.

Housing Company Tshwane Municipal Entity: The useful life of certain plant, equipment and vehicles was revised during the year under review. The effect of this revision has decreased the depreciation charge for the current and future periods.

The useful lives of library books were revised at the current reporting date from 25 to 8 years on a weighted average basis to more accurately reflect the life spans of the books. The effect of this revision has increased the depreciation charges for the current and future periods.

The useful lives of all asset classes have been reviewed and adjusted to more accurately reflect the period of economic benefits or service potential derived from these assets. Taking into consideration the condition of the assets where the cost of these assets would have depreciated completely to Rnll at year end or within the following 12 to 24 months. The useful lives were adjusted on the following basis:

- Remaining useful life: less than 12 months:-

|                                  |                                    |
|----------------------------------|------------------------------------|
| Condition: Excellent, fair, good | Additional useful life = 24 months |
| Condition: Scrap                 | Additional useful life = 12 months |

- Remaining useful life: between 12 and 24 months:-

|                                  |                                    |
|----------------------------------|------------------------------------|
| Condition: Excellent, fair, good | Additional useful life = 12 months |
| Condition: Scrap                 | Additional useful life = 12 months |

- The effect of changing the remaining useful lives has decreased the depreciation charge for the current and future periods.

The total number of assets affected is 103 246 with respect to the parent municipality.

### Landfill sites

The useful lives of landfill sites have been reviewed and adjusted after closure of some sites to more accurately reflect the life spans of the assets. The closure of Valhalla resulted in a decrease of useful life for Garankuwa, Hatherley, Onderste poort and Soshanguve landfill sites to 15 years. The effect of this revision has decreased the depreciation charges for the current and future periods.

### Effect of change in estimates

|   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
| <b>Effect of change in estimates</b>            |                   |                   |                   |                   |
| Other and infrastructure assets                 | 62,938,926        | 22,658,214        | 62,938,926        | 22,658,214        |
| Library books                                   | 13,174,320        | -                 | 13,174,320        |                   |
| Landfill sites                                  | 15,359,594        | 1,222,009         | 15,359,594        | 1,222,009         |
| Housing Company Tshwane: review of useful lives | 153,713           | -                 | -                 |                   |
| Sandspruit: review of useful lives              | 669,594           | 678,680           | -                 |                   |
|   | <b>92,296,147</b> | <b>24,558,903</b> | <b>91,472,840</b> | <b>23,880,223</b> |

**City of Tshwane Metropolitan Municipality**  
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**Notes to the Annual Consolidated Financial Statements**

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

**55. Deviation from supply chain management regulations**

In terms of section 36(1)(a) of the Supply Chain Management Regulations, the accounting officer may dispense with the official procurement processes in the following instances:

- in an emergency
- if such goods or services are produced or available from a single provider only
- for the acquisition of special works of art or historical objects where specifications are difficult to complete
- acquisition of animals for zoos and/or nature and game reserves
- in any other exceptional case where it is impractical or impossible to follow the official procurement processes

**Deviation from tender and quotation process:**

Most of the reasons why the deviations were necessary was due to the following:

- \* Sole suppliers
- \* Emergency
- \* Impracticality:

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. Deviations from the official procurement process during the financial year was approved by the accounting officer and noted by Council in terms of the delegations as stipulated in the Supply Chain Management Policy and amount to approximately the following:

**Deviation from tender process (amounts above R200 000)**

|  |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|
| Other deviations: various reasons                  | 435,809,355        | 754,230,024        | 435,809,355        | 754,230,024        |
| Alienation of land: Deviation 24/09/2009           | -                  | 90,207,000         | -                  | 90,207,000         |
| Alienation of land: Deviation 34/10/2009           | -                  | 24,720,000         | -                  | 24,720,000         |
| Alienation of land: Deviation 60/01/2010           | -                  | 5,800,000          | -                  | 5,800,000          |
| Court order: Deviation 49/01/2010                  | -                  | 22,554,534         | -                  | 22,554,534         |
| Court order: Deviation 30/10/2009                  | -                  | 12,864,994         | -                  | 12,864,994         |
| Strike action: Deviation 36/11/2009                | -                  | 771,053            | -                  | 771,053            |
| Strike action: Deviation 68/02/2010                | -                  | 17,600,000         | -                  | 17,600,000         |
| Waiting period: Deviation 04/07/2010 Mercedes Benz | -                  | 18,414,672         | -                  | 18,414,672         |
| Waiting period: Deviation 04/07/2010 Fleet Africa  | -                  | 18,037,723         | -                  | 18,037,723         |
| Less: Transfer to Irregular expenditure (note 48)  | (24,316,618)       | (161,584,434)      | (24,316,618)       | (161,584,434)      |
|  | <b>411,492,737</b> | <b>803,615,566</b> | <b>411,492,737</b> | <b>803,615,566</b> |

**Deviation from quotation process**

|                        |            |           |            |           |
|------------------------|------------|-----------|------------|-----------|
| Amounts below R200 000 | 23,386,182 | 2,287,216 | 23,386,182 | 2,287,216 |
|------------------------|------------|-----------|------------|-----------|

**56. Co-operative relationships**

The City of Tshwane is involved in the following PPP's (only co-operative relationships) (existing contracts/agreements)

- Health & Social Development with Foundation for Professional Development iro Multi Sectorial AIDS Management
- Health Care Service with Elisabeth Glaser Pediatric Aids Foundation - prevention of AIDS transmission from mother to child
- Health & Social Development with Foundation for Professional Development - public service to identify epidemiological and community service data that will assist in directing public, private, international and other non-government bodies in addressing needs of people affected by HIV
- Health & Social Development with Carel du Toit Hearing Centre - conduct audiometric tests targeting hearing acuity for children
- Health & Social Development with Znimpilo (NGO) - conduct research project on why males are reluctant to visit PHC clinics in Atteridgeville
- Health & Social Development with NAFCI: Establishing youth friendly services in Mamelodi West, Lotus Gardens, Atteridgeville and Saulsville PHC clinics
- Agriculture & Environmental Management (Waste Management) with Buyisa-e-Bag a section 21 company - established 3 buy-back centres as a recycling initiative within CoT.

**57. Joint Ventures**

The City of Tshwane is involved in the following Joint Ventures - the parties however act independently (existing agreements)

- Health Department with Maasmechelen Municipality for capacity building in respect of Community Structures (Working together as local authorities)
- Health & Social Development with HSRC iro prevention strategy targeting commercial sex workers

**City of Tshwane Metropolitan Municipality**  
Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

|  | Group     |                    | Municipality |                    |
|--|-----------|--------------------|--------------|--------------------|
|  | 2011<br>R | Restated 2010<br>R | 2011<br>R    | Restated 2010<br>R |

**58. Distribution losses: Water**

Water is supplied to the City of Tshwane from Rand Water and from the City's own water sources. Monthly meter readings of supply are used to monitor the total gross supply and monthly meter readings of water exported to the neighbouring municipalities are used to calculate the net water input into the City.

Water loss management in the city is monitored, managed and controlled by the implementation of the Water Conservation and Water Demand Management Strategies. The primary outcome of these strategies is to reduce:

- \* Technical losses (where not all water supplied reached the consumer), and
- \* Financial losses (where not all water reaching the consumer is paid for).

These losses are caused by:

- Real losses (physical loss of water from the system), and
- Apparent losses (losses due to meter inaccuracies, meter estimations, non-metering of water and unauthorised consumption - this is water consumed not properly measured, accounted and paid for).

From the above, water losses in the city is determined by calculating the amount of non-revenue water (NRW) which is the difference of the volume of water supplied into the system and the authorised consumption.

At the end of June 2011 the NRW in the city is calculated at 70 167 272 kl (24.41% of the total input into the system). This is a marked improvement of NRW in the city as compared to June 2010 where the NRW was 70 694 257 kl (26.6% of the total input into the system). It must be noted that the "City Target" is to achieve an annual reduction of NRW of 1% up until an acceptable percentage of NRW, within the water sector viz 15% - 20%, is obtained. The losses in R-value amounts to R255.8 million (2010 = R250.2 million), the calculation is based on the unit tariff per kilolitre on Rand Water purchases and the municipality's production costs from own sources. Although there was a decrease in the NRW from 70 694 257 kl to 70 167 272 kl, the total loss in Rand value is slightly higher than last year, due to the substantial increase in the Rand Water tariff.

**59. Distribution losses: Electricity**

The electricity distribution loss comprises of technical and non-technical losses. Technical losses are losses on the electricity sub-transmission and distribution equipment due to attenuation of the power signal by conductors like copper and aluminium.

Non-technical losses are losses due to electricity theft, tampering, faulty meters, etc. The acceptable industry standard for the technical losses is between 5% and 6%, and 9% for non-technical losses.

The loss [difference between the total kWh available for selling i.e. own generation plus purchases, and consumed (billing system)] for the City of Tshwane amounts to 9,32% [6,0% for technical losses and 3,32% or 323 577 085 kWh for non-technical losses] for the 2010/11 financial year which compares favourably with the standard. Various measures are in place to reduce the losses. During the 2009/10 financial year the figures were: 7,65% [6,0% for technical losses and 1,65% or 160 222 187 kWh for non-technical losses].

The value of the non-technical loss amounts to R133.9 million (2010 = R53.96 million based on the cost per unit purchased/generated namely 41,39 c/kWh (2009/10 = 33,68c/kWh) for the 2010/11 financial year.

## Notes to the Annual Consolidated Financial Statements

Figures in Rand

### 60. Statement of comparative and actual information

#### Group - 2011

|   | Original budget<br>(i.t.o. s28 and s31 of the MFMA) | Budget adjustments | Final budget     | Actual outcome   | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|--------------------|------------------|------------------|--------------------------|----------|-------------------------------------|--|
| <b>Financial Performance</b>                                  |   |                    |                  |                  |                          |          |                                     |  |
| Property rates  | 3,021,874,644                                       | 3,021,874,644      | 3,021,874,644    | 2,907,284,048    |                          |          | 96 %                                | 96 %                                   |
| Service charges   | 8,674,086,000                                       | 8,777,550,000      | 8,777,550,000    | 8,387,450,103    |                          |          | 96 %                                | 97 %                                   |
| Investment revenue  | 120,370,000   | 104,857,000        | 104,857,000      | 111,038,461      |                          |          | 106 %                               | 92 %                                   |
| Transfers recognised - operational                            | 1,976,514,000                                       | 2,219,588,000      | 2,219,588,000    | 1,957,635,736    |                          |          | 88 %                                | 99 %                                   |
| Other own revenue   | 1,580,445,000                                       | 1,563,694,356      | 1,563,694,356    | 1,189,547,137    |                          |          | 374,147,219                         | 75 %                                   |
| Total revenue (excluding capital transfers and contributions) | 15,313,289,644                                      | 15,687,564,000     | 15,687,564,000   | 14,552,935,485   |                          |          | 1,134,628,515                       | 93 %                                   |
| Employee costs  | (3,507,527,000)                                     | (4,330,238,811)    | (4,330,238,811)  | (4,304,325,951)  |                          |          | -                                   | 123 %                                  |
| Remuneration of councillors                                   | (6,282,000)   | (64,033,000)       | (64,033,000)     | (61,711,890)     |                          |          | -                                   | 92 %                                   |
| Impairment  | (491,952,000)                                       | (598,289,000)      | (598,289,000)    | (709,796,272)    |                          |          | 111,507,272                         | 144 %                                  |
| Depreciation and asset impairment                             | (899,834,000)                                       | (754,338,646)      | (754,338,646)    | (816,267,986)    |                          |          | 61,929,340                          | 91 %                                   |
| Finance charges   | (715,819,000)                                       | (661,824,700)      | (661,824,700)    | (603,863,842)    |                          |          | (57,960,858)                        | 84 %                                   |
| Materials and bulk purchases                                  | (4,552,163,000)                                     | (4,586,890,000)    | (4,586,890,000)  | (4,485,501,342)  |                          |          | (101,388,658)                       | 99 %                                   |
| Transfers and grants  | (13,564,180)  | (13,798,600)       | (13,798,600)     | (27,625,621)     |                          |          | 13,827,021                          | 204 %                                  |
| Other expenditure   | (4,844,607,820)                                     | (4,476,043,554)    | (4,476,043,554)  | (3,811,293,917)  |                          |          | 32,976,852                          | 79 %                                   |
| (664,749,637) Total expenditure                               | (15,092,749,000)                                    | (15,485,456,311)   | (15,485,456,311) | (14,820,386,821) |                          |          | 46,803,873                          | 98 %                                   |
| (665,069,490) Surplus/(Deficit)                               | 469,559,025   | 220,540,644        | 202,107,689      | 202,107,689      |                          |          | (267,451,336)                       | (132)%                                 |

**City of Tshwane Metropolitan Municipality**  
 Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

Figures in Rand

60. Statement of comparative and actual information (continued)

|   | Original budget | Budget adjustments | Final budget | Actual outcome | Unauthorised expenditure | Variance                   | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|-----------------|--------------------|--------------|----------------|--------------------------|----------------------------|-------------------------------------|--|
| (i.t.o. s28 and s31 of the MFMA)                            | 1,325,026,000   | 564,861,541        | 564,861,541  | 555,395,047    | 119,154,209              | 9,466,494<br>(119,154,209) | 9,466,494<br>(119,154,209)          | 9,466,494<br>(119,154,209)             |
| Transfers recognised - capital                              | -               | -                  | -            | -              | -                        | 359,871,310                | 359,871,310                         | 359,871,310                            |
| Contributions recognised - capital and contributed assets   | 1,545,566,644   | 766,969,230        | 766,969,230  | 407,097,920    | 53 %                     | 53 %                       | 53 %                                | 53 %                                   |
| Surplus (Deficit) after capital transfers and contributions | 1,545,566,644   | 766,969,230        | 766,969,230  | 407,097,920    | 53 %                     | 53 %                       | 53 %                                | 53 %                                   |
| Surplus/(Deficit) for the year                              |                 |                    |              |                | 26 %                     | 26 %                       | 26 %                                | 26 %                                   |

## Notes to the Annual Consolidated Financial Statements

### Figures in Rand

#### 60. Statement of comparative and actual information (continued)

| MFMA)  | Capital expenditure and funds sources |               |               | Cash flows      |                 |  |
|--|---------------------------------------|---------------|---------------|-----------------|-----------------|--|
| Sources of capital funds                               | 1,325,026,000                         | 564,861,541   | 564,861,541   | 2,751,921,000   | 1,446,998,000   | 1,644,385,450                                    |
| Transfers recognised - capital                         | 87,700,000                            | 127,131,000   | 127,131,000   | (2,643,283,000) | (1,934,271,000) | (197,387,450)                                    |
| Public contributions and donations                     |                                       |               |               |                 |                 | 430,414,110<br>(88,455,238)                      |
| Borrowing  | 1,000,000,000                         | 1,361,000,000 | 1,361,000,000 | 525,185,000     | 312,918,000     | 146,221,422                                      |
| Internally generated funds                             | 782,249,000                           | 371,288,000   | 371,288,000   | 780,974,000     | 739,637,000     | (149,111)  |
| Total sources of capital funds                         | 3,194,975,000                         | 2,424,289,541 | 2,424,289,541 | 1,306,159,000   | 1,052,555,000   | 146,122,311                                      |
|  |                                       |               |               |                 |                 | 114 %<br>122 %<br>111 %<br>53 %<br>100 %<br>86 % |
|  |                                       |               |               |                 |                 | 60 %<br>89 %<br>200 %<br>32 %<br>95 %<br>69 %    |
| Capital expenditure and funds sources                  |                                       |               |               |                 |                 |  |
| Sources of capital funds                               |                                       |               |               |                 |                 |  |
| Transfers recognised - capital                         |                                       |               |               |                 |                 |  |
| Public contributions and donations                     |                                       |               |               |                 |                 |  |
| Borrowing  |                                       |               |               |                 |                 |  |
| Internally generated funds                             |                                       |               |               |                 |                 |  |
| Total sources of capital funds                         |                                       |               |               |                 |                 |  |
|  |                                       |               |               |                 |                 |  |
| Cash flows   |                                       |               |               |                 |                 |  |
| Net cash from (used) operating                         |                                       |               |               |                 |                 |  |
| Net cash from (used) investing                         |                                       |               |               |                 |                 |  |
| Net cash from (used) financing                         |                                       |               |               |                 |                 |  |
| Net increase/(decrease) in cash and cash equivalents   |                                       |               |               |                 |                 |  |
| Cash and cash equivalents at the beginning of the year |                                       |               |               |                 |                 |  |
| Cash and cash equivalents at year end                  |                                       |               |               |                 |                 |  |

## Notes to the Annual Consolidated Financial Statements

### Figures in Rand

#### 60. Statement of comparative and actual information (continued)

##### Municipality - 2011

|   | Original budget  | Budget adjustments<br>(i.t.o. s28 and<br>s31 of the<br>MFMA) | Final budget     | Actual Outcome   | Unauthorised expenditure | Variance      | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|------------------|--|------------------|------------------|--------------------------|---------------|-------------------------------------|--|
| <b>Financial Performance</b>                                  |                  |  |                  |                  |                          |               |                                     |  |
| Property rates  | 3,021,874,644    | 3,021,874,644  | 3,021,874,644    | 2,907,386,997    |                          | 114,487,647   | 96 %                                | 96 %                                   |
| Service charges   | 8,450,826,873    | 8,599,329,932  | 8,599,329,932    | 8,394,076,681    |                          | 205,253,551   | 98 %                                | 99 %                                   |
| Investment revenue  | 120,080,230      | 104,566,829  | 104,566,829      | 110,142,589      |                          | (5,575,760)   | 92 %                                | 92 %                                   |
| Transfers recognised - operational                            | 1,976,514,000    | 2,206,008,397  | 2,206,008,397    | 1,957,635,736    |                          | 248,372,661   | 99 %                                | 99 %                                   |
| Other own revenue   | 1,482,964,968    | 1,450,801,729  | 1,450,801,729    | 1,124,119,494    |                          | 326,682,235   | 77 %                                | 76 %                                   |
| Total revenue (excluding capital transfers and contributions) | 15,052,260,715   | 15,382,581,531   | 15,382,581,531   | 14,493,361,497   |                          | 889,220,034   | 94 %                                | 96 %                                   |
| Employee costs  | (4,146,517,014)  | (4,263,534,104)  | (4,263,534,104)  | (4,236,965,765)  |                          | -             | (26,568,339)                        | 99 %                                   |
| Remuneration of councillors                                   | (66,438,149)     | (66,388,149)   | (66,388,149)     | (61,711,890)     |                          | -             | (4,676,259)                         | 93 %                                   |
| Debt impairment   | (432,386,725)    | (528,801,158)  | (528,801,158)    | (639,687,334)    |                          | -             | (110,886,176)                       | 102 %                                  |
| Depreciation and asset impairment                             | (918,124,353)    | (750,928,920)  | (750,928,920)    | (812,821,177)    |                          | 61,892,257    | 108 %                               | 93 %                                   |
| Finance charges   | (721,680,720)    | (648,008,404)  | (648,008,404)    | (602,956,403)    |                          | (45,052,001)  | 89 %                                | 84 %                                   |
| Materials and bulk purchases                                  | (4,484,233,131)  | (4,519,236,190)  | (4,519,236,190)  | (4,562,399,704)  |                          | 43,163,514    | 101 %                               | 102 %                                  |
| Transfers and grants  | (18,000,001)     | (13,798,600)   | (13,798,600)     | (27,625,621)     |                          | 13,827,021    | 200 %                               | 153 %                                  |
| Other expenditure   | (4,074,504,366)  | (4,382,032,000)  | (4,382,032,000)  | (3,830,102,132)  |                          | (551,929,868) | 87 %                                | 94 %                                   |
| Total expenditure   | (14,861,884,459) | (15,172,727,525)   | (15,172,727,525) | (14,774,270,026) |                          | 56,990,335    | (398,457,499)                       | 99 %                                   |
| Surplus/(Deficit)   | 190,376,256      | 209,854,006  | 209,854,006      | (280,908,529)    |                          | 490,762,535   | (134)%                              | (148)%                                 |

**City of Tshwane Metropolitan Municipality**  
 Annual Consolidated Financial Statements for the year ended 30 June 2011

**Notes to the Annual Consolidated Financial Statements**

Figures in Rand

60. Statement of comparative and actual information (continued)

|   | Original budget | Budget adjustments | Final budget | Actual outcome | Unauthorised expenditure | Variance                   | Actual outcome as % of original budget of final budget | Actual outcome as % outcome as % of original budget |
|---|-----------------|--------------------|--------------|----------------|--------------------------|----------------------------|--|---|
| <b>(i.t.o. s28 and s31 of the MFMA)</b>                     |                 |                    |              |                |                          |                            |  |   |
| Transfers recognised - capital                              | 1,325,026,000   | 564,861,541        | 564,861,541  | 555,395,047    | -                        | 9,466,494<br>(119,154,209) |  |   |
| Contributions recognised - capital and contributed assets   | -               | -                  | -            | 119,154,209    |                          | 381,074,820                |  |   |
| Surplus (Deficit) after capital transfers and contributions | 1,515,402,256   | 774,715,547        | 774,715,547  | 393,640,727    |                          | 98 % DIV/0 %               | 42 % DIV/0 %   |   |
| Surplus/(Deficit) for the year                              | 1,515,402,256   | 774,715,547        | 774,715,547  | 393,640,727    |                          | 51 %                       | 26 %   |   |
|   |                 |                    |              | 381,074,820    |                          |                            |  |   |

## Notes to the Annual Consolidated Financial Statements

Figures in Rand

### 60. Statement of comparative and actual information (continued)

|  | Original Budget | Budget adjustments (i.t.o. S28 and S31 of the MFMA) | Final budget    | Actual outcome  | Unauthorised expenditure | Variance      | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|-----------------|---|-----------------|-----------------|--------------------------|---------------|-------------------------------------|--|
| <b>Capital expenditure and funds sources</b>           |                 |   |                 |                 |                          |               |                                     |  |
| Sources of capital funds                               | 1,325,026,000   | 564,861,541   | 564,861,541     | 473,339,436     |                          | 91,522,105    | 84 %                                | 36 %                                   |
| Transfers recognised - capital                         | 87,700,000      | 127,131,000   | 127,131,000     | 110,142,589     |                          | 16,988,411    | 87 %                                | 126 %                                  |
| Public contributions and donations                     | 1,000,000,000   | 1,361,000,000                                       | 1,361,000,000   | -               |                          | 1,361,000,000 | - %                                 | - %                                    |
| Borrowing  | 782,248,947     | 371,287,947   | 371,287,947     | -               |                          | 371,287,947   | - %                                 | - %                                    |
| Internally generated funds                             |                 |   |                 |                 |                          |               |                                     |  |
| Total sources of capital funds                         | 3,194,974,947   | 2,424,280,488                                       | 2,424,280,488   | 583,482,025     |                          | 1,840,798,463 | 24 %                                | 18 %                                   |
| <b>Cash flows</b>                                      |                 |   |                 |                 |                          |               |                                     |  |
| Net cash from (used) operating                         | 2,757,466,093   | 1,452,673,280                                       | 1,452,673,280   | 1,610,511,177   |                          | (157,837,897) | 111 %                               | 58 %                                   |
| Net cash from (used) investing                         | (2,664,652,954) | (1,931,970,933)                                     | (1,931,970,933) | (2,367,905,395) |                          | 432,834,483   | 122 %                               | 89 %                                   |
| Net cash from (used) financing                         | 536,629,416     | 322,362,291   | 322,362,291     | 134,294,909     |                          | (86,829,127)  | 111 %                               | 200 %                                  |
| Net increase/(decrease) in cash and cash equivalents   | 762,266,603     | 720,929,945   | 720,929,945     | 721,276,532     |                          | 188,067,382   | 42 %                                | 25 %                                   |
| Cash and cash equivalents at the beginning of the year | 1,298,896,019   | 1,043,292,236                                       | 1,043,292,236   | 855,571,441     |                          | (346,587)     | 100 %                               | 95 %                                   |
| Cash and cash equivalents at year end                  |                 |   |                 |                 |                          | 187,720,795   | 82 %                                | 66 %                                   |

Schedule of external loans as at 30 June 2011

| Interest Rate (%)                      | Redeemable |             | Balance at 30 June 2010 | Received written Rand | Redeemed/ Rand | Amortised value June 2011 Rand | Balance at 30 June 2011 Rand | Carrying Value of PPE Rand |
|--|------------|-------------|-------------------------|-----------------------|----------------|--------------------------------|------------------------------|----------------------------|
| <b>LOCAL REGISTERED STOCK : Issued</b> |            |             |                         |                       |                |                                |                              |                            |
| <b>TERM LOANS</b>                      |            |             |                         |                       |                |                                |                              |                            |
| 16.65                                  | 2014.06.30 | 96,597,857  | -                       | -                     | 669,844        | 97,257,701                     | 141,595,334                  |                            |
| 16.25                                  | 2004.04.30 | 5,812       | -                       | 15,000,000            | 462,810        | -                              | 8,461                        |                            |
| 16.40                                  | 2011.08.30 | 14,537,190  | -                       | 20,000,000            | (732,428)      | -                              | -                            |                            |
| 13.50                                  | 2011.08.30 | 20,732,428  | -                       | 30,000,000            | (8,214,603)    | -                              | -                            |                            |
| 13.50                                  | 2011.06.30 | 38,214,603  | -                       | 50,000,000            | -              | -                              | -                            |                            |
| 14.00                                  | 2011.06.30 | 50,000,000  | -                       | 59,000,000            | -              | -                              | -                            |                            |
| 15.75                                  | 2011.06.30 | 2011.06.30  | -                       | -                     | -              | -                              | -                            |                            |
| 16.50                                  | 2011.06.30 | 2011.06.30  | -                       | -                     | -              | -                              | -                            |                            |
| <b>279,087,890</b>                     |            |             |                         |                       |                |                                |                              |                            |
| <b>TERM LOANS</b>                      |            |             |                         |                       |                |                                |                              |                            |
| 13.50                                  | 2018.04.30 | 51,746,052  | -                       | -                     | -              | -                              | 51,746,052                   | 75,328,187                 |
| Variable                               | 2019.10.31 | 78,331,528  | -                       | 84,000,000            | -              | -                              | 78,331,528                   | 114,029,413                |
| Variable                               | 2011.08.30 | 84,000,000  | -                       | 45,000,000            | -              | -                              | -                            | -                          |
| 17.15                                  | 2011.08.30 | 45,000,000  | -                       | -                     | -              | -                              | -                            | -                          |
| 19.13                                  | 2011.10.31 | 227,949,356 | -                       | -                     | -              | -                              | -                            | -                          |
| 19.13                                  | 2011.10.31 | 293,000     | -                       | -                     | -              | -                              | -                            | -                          |
| 0.00                                   | 2020.03.31 | 4,792,962   | -                       | -                     | -              | -                              | -                            | -                          |
| 0.00                                   | 2020.03.31 | 1,000       | -                       | -                     | -              | -                              | -                            | -                          |
| <b>492,113,918</b>                     |            |             |                         |                       |                |                                |                              |                            |
| <b>ANNUITY LOANS:</b>                  |            |             |                         |                       |                |                                |                              |                            |
| 13.5                                   | 2018.04.30 | 215,086,496 | -                       | 14,259,867            | (1,044,017)    | 199,772,612                    | 290,814,621                  |                            |
| 13.5                                   | 2012.12.31 | 9,167,515   | -                       | 3,314,385             | -              | 5,853,140                      | 8,520,567                    |                            |
| 10.87                                  | 2018.12.31 | 208,770,791 | -                       | 15,930,346            | -              | 192,840,445                    | 280,723,265                  |                            |
| 11.66                                  | 2019.06.30 | 15,584,846  | -                       | 1,085,747             | -              | 14,499,099                     | 21,105,747                   |                            |
| 9.52                                   | 2020.03.31 | 183,286,865 | -                       | 11,371,179            | (572,544)      | 171,323,112                    | 249,399,926                  |                            |
| 11.01                                  | 2020.06.30 | 41,119,607  | -                       | 2,424,473             | -              | 38,695,134                     | 56,329,597                   |                            |
| 9.36                                   | 2020.12.31 | 227,339,154 | -                       | 13,520,203            | -              | 213,818,951                    | 311,292,273                  |                            |
| 10.92                                  | 2020.12.31 | 84,345,087  | -                       | 4,611,778             | -              | 79,733,309                     | 116,070,026                  |                            |
| 10.81                                  | 2021.06.30 | 69,127,158  | -                       | 3,518,174             | -              | 65,168,984                     | 95,508,848                   |                            |
| 5.0                                    | 2021.12.31 | 79,741,415  | -                       | 5,597,900             | -              | 74,144,325                     | 107,933,984                  |                            |
| 9.835                                  | 2021.12.31 | 337,752,816 | -                       | 18,175,684            | -              | 319,587,132                    | 465,231,995                  |                            |
| 13.5                                   | 2021.12.31 | 173,194,160 | -                       | 9,244,775             | -              | 163,951,985                    | 238,699,525                  |                            |
| 6.25                                   | 2028.06.30 | 94,222,328  | -                       | 2,957,033             | 116,462        | 91,382,257                     | 133,027,726                  |                            |
| 12.81                                  | 2028.06.30 | 194,808,569 | -                       | 3,119,362             | -              | 191,689,207                    | 279,047,380                  |                            |
| 11.32                                  | 2028.06.30 | 195,422,055 | -                       | 3,450,388             | -              | 191,591,667                    | 279,487,681                  |                            |
| 12.5                                   | 2021.03.31 | 226,582,872 | -                       | 16,251,912            | (2,593,229)    | 20,771,731                     | 302,350,555                  |                            |
| 11.99                                  | 2021.03.31 | 116,693,761 | -                       | 8,434,365             | (961,670)      | 10,297,725                     | 156,196,323                  |                            |
| 12.51                                  | 2021.03.31 | 155,337,258 | -                       | 11,173,027            | (1,514,045)    | 14,260,198                     | 207,659,897                  |                            |
| 6.75                                   | 2029.06.30 | 146,280,461 | -                       | 3,974,757             | -              | 147,305,704                    | 187,138,424                  |                            |
| 10.84                                  | 2029.06.30 | 661,932,221 | -                       | 13,201,766            | 35,941         | 648,756,395                    | 944,436,643                  |                            |
| 9.27                                   | 2020.05.18 | 364,023,360 | -                       | 23,620,555            | (23,845)       | 340,378,960                    | 495,439,245                  |                            |
| 9.32                                   | 2020.06.16 | 361,470,930 | -                       | 23,212,139            | 372,020        | 338,650,811                    | 492,934,115                  |                            |
| 10.18                                  | 2010.12.01 | -           | -                       | 6,259,443             | -              | 354,740,557                    | 516,405,826                  |                            |
| 7.72                                   | 2026.06.30 | -           | -                       | 1,000,000,000         | -              | -                              | 1,000,000,000                |                            |
| <b>4,161,280,225</b>                   |            |             |                         |                       |                |                                |                              |                            |
| <b>TERM LOANS</b>                      |            |             |                         |                       |                |                                |                              |                            |
| 1,361,000,000                          |            | 218,695,848 |                         | (6,164,927)           | 5,297,399,450  | 7,711,573,674                  |                              |                            |
| 5,22,668,945                           |            |             |                         |                       |                |                                | 5,75,815,056                 |                            |
| 1,361,000,000                          |            |             |                         |                       |                |                                | (13,958,082)                 | 5,378,482,055              |
| 4,932,482,033                          |            |             |                         |                       |                |                                |                              |                            |

City of Tshwane Metropolitan Municipality  
 Appendix A  
 Supplementary unaudited information  
 Schedule of external loans as at 30 June 2011

| Interest Rate (%)      | Redeemable | Balance at 30 June 2010 | Received written   | Redeemed/  | Amortised value    | Balance at 30 June 2011 | Carrying Value of PPE |
|------------------------|------------|-------------------------|--------------------|------------|--------------------|-------------------------|-----------------------|
| Rand                   |            | Rand                    | Rand               | Rand       | Rand               | Rand                    | Rand                  |
| <b>FINANCE LEASES</b>  |            |                         |                    |            |                    |                         |                       |
| ABSA                   | Variable * | 13,710,574              | 5,137,273          | -          | -                  | 12,621,133              | 6,226,714             |
| AMASONDO               | Variable * | 18,999,403              | -                  | 2,332,001  | 16,004,347         | -                       | -                     |
| DATACENTRIX            | Variable * | 3,437,381               | 90,030,103         | 4,073,412  | 5,327,057          | 4,436,710               | 88,394,012            |
| DEBIS FLEET MANAGEMENT | Variable * | 2,304,164               | 529,476            | 2,439,920  | 393,720            | 88,975,708              | 391,778               |
| FLEET AFRICA           | Variable * | 5,823,386               | 191,569            | 6,015,555  | -                  | -                       | -                     |
| IMPERIALFOSTRA         | Variable * | 63,760,495              | 6,759,241          | 43,879,495 | 26,640,241         | 23,129,210              | -                     |
| MAN FINANCIAL SERVICES | Variable * | 3,610,996               | 22,105,864         | 6,291,695  | 19,425,165         | 18,933,901              | -                     |
| McCarthy               | Variable * | 11,222,619              | 645,565            | 11,103,517 | 834,667            | 982,137                 | -                     |
| Moipone                | Variable * | -                       | 5,808,700          | 941,927    | 4,666,773          | 4,610,088               | -                     |
| STANDARD BANK          | Variable * | 36,100,354              | 71,460,670         | 27,603,156 | 79,957,858         | 78,030,233              | -                     |
| ZEZA                   | Variable * | 30,996,996              | 1,907,434          | 11,446,971 | 21,457,459         | 20,892,223              | -                     |
| TSHWANE AUTO LEASING   | Variable * | 9,281,590               | 5,903,410          | 7,807,056  | 7,377,944          | 7,226,175               | -                     |
| VIAMAX                 | Variable * | -                       | -                  | -          | -                  | -                       | -                     |
| VUSWA                  | Variable * | -                       | -                  | -          | -                  | -                       | -                     |
| <b>199,318,558</b>     |            | <b>212,611,306</b>      | <b>150,228,244</b> | <b>-</b>   | <b>261,701,620</b> | <b>253,751,955</b>      |                       |

Analysis of property, plant and equipment as at 30 June 2011

| Cost/Revaluation          | Analysis of property, plant and equipment as at 30 June 2011 |                      |                     |                   |                           |                       |                        |                      |               |                  | Accumulated depreciation |                  |                  |                     |                      |                       |
|---------------------------|--|----------------------|---------------------|-------------------|---------------------------|-----------------------|------------------------|----------------------|---------------|------------------|--------------------------|------------------|------------------|---------------------|----------------------|-----------------------|
|                           | Opening Balance  | Acquisitions         | Disposals           | Transfers         | Additions and adjustments | Closing Balance       | Opening Balance        | Additions            | Impairment    | Disposals        | Transfers                | Closing Balance  | Carrying value   |                     |                      |                       |
|                           | Rand   | Rand                 | Rand                | Rand              | Rand                      | Rand                  | Rand                   | Rand                 | Rand          | Rand             | Rand                     | Rand             | Rand             | Rand                | Rand                 |                       |
| <b>Infrastructure</b>     |  |                      |                     |                   |                           |                       |                        |                      |               |                  |                          |                  |                  |                     |                      |                       |
| Assets under construction | 1,611,388,142  | 1,035,827,089        | -                   | (766,493,536)     | -                         | 1,880,721,693         | -                      | -                    | -             | -                | -                        | -                | 1,880,721,693    | (831,302,659)       | 2,779,527,452        |                       |
| Electricity               | 3,093,329,983  | 326,767,233          | -                   | (190,732,935)     | -                         | 3,610,830,151         | (75,336,495)           | -                    | -             | -                | -                        | -                | (18,091,106)     | (70,743,703)        | 51,167,030           |                       |
| General                   | 84,465,915   | 4,632,584            | -                   | 33,316,034        | -                         | 122,414,533           | (44,789,255)           | (7,883,302)          | -             | -                | -                        | -                | -                | 3,543,747,079       | 1,385,644,441        | 3,319,935,551         |
| Roads                     | 4,497,589,898  | -                    | 88,624,592          | -                 | 4,929,391,520             | (1,209,032,316)       | (176,612,125)          | -                    | -             | -                | -                        | -                | (1,489,459)      | (1,027,434,813)     | 6,325,664            |                       |
| Water and sanitation      | 3,738,442,263  | 148,281,588          | -                   | 455,544,547       | 4,701,866                 | 4,347,310,364         | (887,385,281)          | (138,560,093)        | -             | -                | -                        | -                | -                | (6,352,027)         | (6,351,187)          | 11,581,828,099        |
| Sandpuit                  | 12,493,952   | 93,529               | -                   | -                 | 1,964,270                 | 12,597,491            | (4,770,840)            | (2,901,923,886)      | (399,983,202) | -                | -                        | -                | -                | (19,580,565)        | 3,321,487,653        | 11,581,828,099        |
| <b>Community Assets</b>   | <b>13,038,110,163</b>  | <b>1,858,539,453</b> | <b>-</b>            | <b>1,964,270</b>  | <b>4,701,866</b>          | <b>14,903,315,752</b> | <b>(2,901,923,886)</b> | <b>(399,983,202)</b> | <b>-</b>      | <b>-</b>         | <b>-</b>                 | <b>-</b>         | <b>-</b>         | <b>(19,580,565)</b> | <b>3,321,487,653</b> | <b>11,581,828,099</b> |
| General                   | 1,569,012,659  | 88,494,946           | (54,405)            | 30,857,668        | -                         | 1,888,309,768         | (385,847,789)          | (55,530,442)         | -             | 15,721           | (123,054)                | (123,054)        | (123,054)        | (123,054)           | (123,054)            | 1,246,824,204         |
| Assets under construction | 76,152,479   | 7,766,781            | -                   | (38,767,725)      | -                         | 45,151,535            | (38,698)               | -                    | -             | -                | -                        | -                | -                | -                   | -                    | 45,151,535            |
| <b>1,645,165,138</b>      | <b>96,261,127</b>  | <b>(54,905)</b>      | <b>(7,910,057)</b>  | <b>-</b>          | <b>1,733,461,303</b>      | <b>(385,847,789)</b>  | <b>(55,530,442)</b>    | <b>-</b>             | <b>15,721</b> | <b>(123,054)</b> | <b>(123,054)</b>         | <b>(123,054)</b> | <b>(123,054)</b> | <b>(123,054)</b>    | <b>(123,054)</b>     | <b>1,291,975,759</b>  |
| <b>Heritage assets</b>    |  |                      |                     |                   |                           |                       |                        |                      |               |                  |                          |                  |                  |                     |                      |                       |
| General                   | 5,674,856  | 1,538,008            | -                   | -                 | 18,631,631                | 25,844,495            | (196,655)              | (38,698)             | -             | -                | -                        | -                | -                | (235,353)           | (235,353)            | 25,609,142            |
| <b>5,674,856</b>          | <b>1,538,008</b>   | <b>-</b>             | <b>-</b>            | <b>18,631,631</b> | <b>25,844,495</b>         | <b>(196,655)</b>      | <b>(38,698)</b>        | <b>-</b>             | <b>-</b>      | <b>-</b>         | <b>-</b>                 | <b>-</b>         | <b>-</b>         | <b>(235,353)</b>    | <b>(235,353)</b>     | <b>25,609,142</b>     |
| <b>Housing</b>            |  |                      |                     |                   |                           |                       |                        |                      |               |                  |                          |                  |                  |                     |                      |                       |
| Housing assets            | 227,222,944  | 23,298,506           | -                   | 3,172,26          | -                         | 283,694,176           | (231,119)              | (37,128)             | -             | -                | -                        | -                | -                | (268,247)           | 253,457,929          | 13,110,922            |
| Assets under construction | 13,725,098   | -                    | -                   | (614,176)         | -                         | 13,110,922            | -                      | -                    | -             | -                | -                        | -                | -                | -                   | (268,247)            | 266,556,851           |
| <b>240,948,042</b>        | <b>23,298,506</b>  | <b>-</b>             | <b>-</b>            | <b>2,558,550</b>  | <b>-</b>                  | <b>266,805,98</b>     | <b>(231,119)</b>       | <b>(37,128)</b>      | <b>-</b>      | <b>-</b>         | <b>-</b>                 | <b>-</b>         | <b>-</b>         | <b>(268,247)</b>    | <b>266,556,851</b>   | <b>240,948,042</b>    |
| <b>Stock</b>              |  |                      |                     |                   |                           |                       |                        |                      |               |                  |                          |                  |                  |                     |                      |                       |
| Stock                     | 1,142,732  | -                    | -                   | -                 | 2,626,998                 | -                     | 3,769,730              | -                    | -             | -                | -                        | -                | -                | -                   | -                    | 3,769,730             |
| <b>1,142,732</b>          | <b>-</b>   | <b>-</b>             | <b>-</b>            | <b>2,626,998</b>  | <b>-</b>                  | <b>3,769,730</b>      | <b>-</b>               | <b>-</b>             | <b>-</b>      | <b>-</b>         | <b>-</b>                 | <b>-</b>         | <b>-</b>         | <b>-</b>            | <b>-</b>             | <b>3,769,730</b>      |
| <b>Land</b>               |  |                      |                     |                   |                           |                       |                        |                      |               |                  |                          |                  |                  |                     |                      |                       |
| Land                      | 705,754,663  | -                    | (452,131)           | (5,283,657)       | -                         | 700,018,835           | -                      | -                    | -             | -                | -                        | -                | -                | -                   | -                    | 700,018,835           |
| <b>705,754,663</b>        | <b>-</b>   | <b>(452,131)</b>     | <b>(5,283,657)</b>  | <b>-</b>          | <b>700,018,835</b>        | <b>-</b>              | <b>-</b>               | <b>-</b>             | <b>-</b>      | <b>-</b>         | <b>-</b>                 | <b>-</b>         | <b>-</b>         | <b>-</b>            | <b>-</b>             | <b>700,018,835</b>    |
| <b>Buildings</b>          |  |                      |                     |                   |                           |                       |                        |                      |               |                  |                          |                  |                  |                     |                      |                       |
| Buildings                 | 1,114,810,197  | 64,199,304           | -                   | (58,022,461)      | -                         | 1,120,987,130         | (479,816,931)          | (34,731,018)         | -             | -                | -                        | -                | -                | 83,479,138          | (431,068,811)        | 689,918,319           |
| Assets under construction | 290,253  | 21,290               | -                   | -                 | -                         | 290,253               | (1,554,680)            | (398,570)            | -             | -                | -                        | -                | -                | (1,951,450)         | 290,253              | 5,891,181             |
| <b>1,122,601,538</b>      | <b>64,510,937</b>  | <b>-</b>             | <b>(58,022,461)</b> | <b>-</b>          | <b>1,129,090,014</b>      | <b>(481,371,811)</b>  | <b>(35,127,588)</b>    | <b>-</b>             | <b>-</b>      | <b>-</b>         | <b>-</b>                 | <b>-</b>         | <b>-</b>         | <b>83,479,138</b>   | <b>(433,020,261)</b> | <b>696,069,753</b>    |

Analysis of property, plant and equipment as at 30 June 2011

| Cost/Revaluation                            | Accumulated depreciation |                      |                     |                       |                                      |                         |                         |                      |                     |                       |                       |                            |                        |
|---|--------------------------|----------------------|---------------------|-----------------------|--------------------------------------|-------------------------|-------------------------|----------------------|---------------------|-----------------------|-----------------------|----------------------------|------------------------|
|   | Opening Balance<br>Rand  | Acquisitions<br>Rand | Disposals<br>Rand   | Transfers<br>Rand     | Additions and<br>adjustments<br>Rand | Closing Balance<br>Rand | Opening Balance<br>Rand | Additions<br>Rand    | Impairment<br>Rand  | Disposals<br>Rand     | Transfers<br>Rand     | Closing<br>Balance<br>Rand | Carrying value<br>Rand |
|   |                          |                      |                     |                       |                                      |                         |                         |                      |                     |                       |                       |                            |                        |
| Other                                       |                          |                      |                     |                       |                                      |                         |                         |                      |                     |                       |                       |                            |                        |
| General                                     | 1,390,538,602            | 81,720,758           | (26,409,981)        | 206,245,975           | 66,075,776                           | 1,718,171,130           | (665,155,059)           | (148,091,962)        | (490,306)           | 22,441,016            | (101,290,174)         | (892,586,485)              | 825,584,645            |
| Rehabilitation assets                       | 128,380,331              | -                    | 16,243,557          | -                     | (171,495,747)                        | 51,308,929              | (179,689,260)           | (72,339,676)         | (34,607,683)        | -                     | (15,256,780)          | -                          | 72,341,901             |
| Non-current assets held for sale (transfer) | (20,767,822)             | 45,947,336           | -                   | -                     | -                                    | (4,524,256)             | 19,470,611              | -                    | -                   | -                     | -                     | 4,183,831                  | (340,434)              |
| Assets under construction                   | 185,156,855              | -                    | -                   | -                     | -                                    | 59,598,444              | -                       | -                    | -                   | -                     | -                     | -                          | 59,598,444             |
| Centsis                                     | 580,924                  | -                    | -                   | -                     | -                                    | 580,824                 | (580,243)               | -                    | (581)               | -                     | -                     | (580,824)                  | -                      |
| Sandspruit                                  | 8,830,210                | 381,744              | (4,347)             | -                     | -                                    | 9,212,014               | (6,142,804)             | (1,511,142)          | -                   | -                     | -                     | (7,653,946)                | 1,555,068              |
| Housing Company                             | 397,819                  | 6,863                | (25,560)            | -                     | -                                    | 400,355                 | (314,411)               | 64,703               | -                   | -                     | -                     | (249,708)                  | 150,927                |
| Chivelo                                     | 100,832                  | -                    | -                   | -                     | -                                    | 75,272                  | (53,240)                | (12,032)             | -                   | -                     | -                     | (75,272)                   | -                      |
| <b>1,693,217,711</b>                        | <b>128,056,701</b>       | <b>(10,196,331)</b>  | <b>34,840,228</b>   | <b>117,384,705</b>    | <b>1,963,303,014</b>                 | <b>(725,324,822)</b>    | <b>(184,358,597)</b>    | <b>(490,306)</b>     | <b>7,154,236</b>    | <b>(101,290,174)</b>  | <b>1,004,309,763)</b> | <b>956,993,251</b>         |                        |
| <b>Total property, plant and equipment</b>  | <b>18,452,614,843</b>    | <b>2,172,204,732</b> | <b>(10,703,357)</b> | <b>(29,226,169)</b>   | <b>140,718,202</b>                   | <b>20,725,608,241</b>   | <b>(4,494,896,082)</b>  | <b>(675,075,755)</b> | <b>(490,306)</b>    | <b>7,169,957</b>      | <b>(37,514,655)</b>   | <b>5,200,806,841)</b>      | <b>15,524,804,400</b>  |
| <b>Biological assets</b>                    |                          |                      |                     |                       |                                      |                         |                         |                      |                     |                       |                       |                            |                        |
| Game (livestock)                            | 13,322,433               | -                    | -                   | -                     | (351,473)                            | 12,970,960              | -                       | -                    | -                   | -                     | -                     | -                          | 12,970,960             |
| <b>13,322,433</b>                           | <b>-</b>                 | <b>-</b>             | <b>-</b>            | <b>(351,473)</b>      | <b>12,970,960</b>                    | <b>-</b>                | <b>-</b>                | <b>-</b>             | <b>-</b>            | <b>-</b>              | <b>-</b>              | <b>-</b>                   | <b>12,970,960</b>      |
| <b>Investment properties</b>                |                          |                      |                     |                       |                                      |                         |                         |                      |                     |                       |                       |                            |                        |
| Investment assets                           | 444,294,403              | -                    | (161,351)           | -                     | (40,590)                             | 6,191,014               | 444,092,462             | (38,131,885)         | (1,812,953)         | -                     | -                     | 32,661                     | (39,912,177)           |
| Housing Company                             | 9,600,000                | -                    | (161,351)           | (40,590)              | 6,191,014                            | 459,883,476             | (38,131,885)            | (1,812,953)          | -                   | -                     | -                     | 32,661                     | (39,912,177)           |
| <b>453,894,403</b>                          | <b>-</b>                 | <b>(161,351)</b>     | <b>(40,590)</b>     | <b>6,191,014</b>      | <b>459,883,476</b>                   | <b>(38,131,885)</b>     | <b>(1,812,953)</b>      | <b>-</b>             | <b>-</b>            | <b>-</b>              | <b>-</b>              | <b>32,661</b>              | <b>(39,912,177)</b>    |
| <b>Intangible assets</b>                    |                          |                      |                     |                       |                                      |                         |                         |                      |                     |                       |                       |                            |                        |
| Computer software                           | 240,379,449              | 35,435,091           | -                   | 29,265,760            | 57,900                               | 306,139,200             | (136,472,925)           | (41,863,955)         | -                   | -                     | -                     | 18,196,201                 | (160,140,679)          |
| Civirelo Assets                             | 61,140                   | -                    | 53,925,600          | -                     | -                                    | 53,925,600              | -                       | -                    | -                   | -                     | -                     | -                          | 53,925,600             |
| <b>240,440,569</b>                          | <b>-</b>                 | <b>53,925,600</b>    | <b>-</b>            | <b>29,265,760</b>     | <b>57,900</b>                        | <b>360,125,940</b>      | <b>(136,534,065)</b>    | <b>(41,863,955)</b>  | <b>-</b>            | <b>-</b>              | <b>-</b>              | <b>18,196,201</b>          | <b>(160,201,819)</b>   |
| <b>Total</b>                                |                          |                      |                     |                       |                                      |                         |                         |                      |                     |                       |                       |                            | <b>199,924,121</b>     |
| Land  | 705,754,663              | (452,131)            | (5,283,697)         | -                     | 700,018,835                          | -                       | -                       | -                    | -                   | -                     | -                     | -                          | 700,018,835            |
| Infrastructure                              | 13,038,110,163           | 1,856,339,453        | -                   | 1,964,270             | 14,903,315,752                       | (2,901,923,886)         | (399,983,202)           | -                    | -                   | -                     | -                     | (19,560,565)               | 3,321,487,652          |
| Community Assets                            | 1,645,165,158            | 96,261,127           | (54,905)            | (7,910,057)           | 1,733,461,303                        | (385,847,789)           | (55,530,442)            | -                    | -                   | -                     | -                     | (123,054)                  | 1,291,975,739          |
| Heritage assets                             | 5,674,856                | 1,538,008            | -                   | -                     | 25,844,045                           | (196,635)               | (38,698)                | -                    | -                   | -                     | -                     | (235,353)                  | 25,609,152             |
| Housing                                     | 240,948,042              | 23,298,506           | (10,196,331)        | 34,840,228            | 2,558,550                            | 266,805,098             | (231,119)               | (37,128)             | (725,324,822)       | (184,358,597)         | (490,306)             | (258,247)                  | 266,536,851            |
| Housing Company                             | -                        | -                    | -                   | -                     | 117,384,705                          | 1,963,303,014           | (12,032)                | -                    | -                   | -                     | -                     | (101,290,174)              | 1,004,309,763)         |
| 90,380,691                                  | -                        | -                    | -                   | -                     | (351,473)                            | 12,970,960              | -                       | -                    | -                   | -                     | -                     | -                          | 12,970,960             |
| 64,510,937                                  | -                        | -                    | -                   | -                     | (161                                 | -                       | -                       | -                    | -                   | -                     | -                     | -                          | -                      |
| <b>2,262,555,423</b>                        | <b>(10,864,748)</b>      | <b>1</b>             | <b>146,615,643</b>  | <b>21,558,588,617</b> | <b>(4,669,562,032)</b>               | <b>(718,752,663)</b>    | <b>(490,306)</b>        | <b>7,169,557</b>     | <b>(19,285,793)</b> | <b>5,400,920,837)</b> | <b>16,157,66</b>      |                            |                        |

**Appendix C**  
Supplementary unaudited information

**Cost/Revaluation**

**Segmental analysis of property, plant and equipment as at 30 June 2011**  
**Accumulated Depreciation**

| Group  | Opening Balance |               | Additions   |              | Disposals   |               | Classified as held for sale |                 | Transfers     |              | Other changes & movements |           | Closing Balance |                | Opening Balance |      | Additions |      | Classified as held for sale |      | Disposals, transfers & adjustments |      | Impairment deficit |      | Closing Balance |      | Carrying value |  |
|--|-----------------|---------------|-------------|--------------|-------------|---------------|-----------------------------|-----------------|---------------|--------------|---------------------------|-----------|-----------------|----------------|-----------------|------|-----------|------|-----------------------------|------|------------------------------------|------|--------------------|------|-----------------|------|----------------|--|
|  | Rand            | Rand          | Rand        | Rand         | Rand        | Rand          | Rand                        | Rand            | Rand          | Rand         | Rand                      | Rand      | Rand            | Rand           | Rand            | Rand | Rand      | Rand | Rand                        | Rand | Rand                               | Rand | Rand               | Rand | Rand            | Rand |                |  |
| Office of Executive Mayor and Municipal Manager      | 176,717,176     | 665,767       | (2,788,883) | (51,163)     | -           | 2,526,353     | 177,069,250                 | (62,242,354)    | (5,330,041)   | 50,299       | 1,787,683                 | (14,947)  | (65,749,400)    | 111,319,850    |                 |      |           |      |                             |      |                                    |      |                    |      |                 |      |                |  |
| Financial Services                                   | 78,160,639      | 1,825,496     | (3,793,121) | (302,452)    | 511         | 1,265,518     | 77,156,591                  | (37,222,856)    | (4,966,589)   | 296,577      | 2,816,368                 | (43,716)  | (39,120,196)    | 38,036,395     |                 |      |           |      |                             |      |                                    |      |                    |      |                 |      |                |  |
| General Assessments                                  | 1,40,220,536    | -             | (94,793)    | (26,836)     | (47,451)    | 9,238         | 40,080,694                  | (19,887,279)    | (3,224,483)   | 26,141       | 79,963                    | (14,419)  | (22,990,077)    | 17,070,617     |                 |      |           |      |                             |      |                                    |      |                    |      |                 |      |                |  |
| Corporate and Shared Services                        | 1,850,162,632   | 131,297,745   | (3,948,954) | (813,460)    | -           | 5,244,270     | 1,981,942,233               | (468,547,953)   | (72,387,893)  | 806,224      | 675,182                   | (66,414)  | (539,720,844)   | 1,442,221,389  |                 |      |           |      |                             |      |                                    |      |                    |      |                 |      |                |  |
| Community Safety                                     | 457,354,408     | 30,995,555    | (5,284,502) | (343,781)    | 305,521     | 30,915,350    | 513,432,581                 | (186,557,243)   | (30,739,034)  | 263,105      | (4,531,870)               | (38,785)  | (221,603,824)   | 291,828,757    |                 |      |           |      |                             |      |                                    |      |                    |      |                 |      |                |  |
| City Planning & Economic Development                 | 145,807,353     | 23,729,557    | (2,013,110) | (15)         | -           | 1,145,403     | 168,459,148                 | (42,145,859)    | (6,886,286)   | 1            | 1,561,767                 | -         | (47,470,368)    | 120,998,779    |                 |      |           |      |                             |      |                                    |      |                    |      |                 |      |                |  |
| Health and Social Development                        | 161,684,952     | 26,127,750    | (1,925,889) | (910,168)    | 27,740      | 2,799,217     | 188,731,643                 | (53,312,210)    | (8,538,055)   | 861,914      | (87,580)                  | (166,483) | (61,242,414)    | 127,489,229    |                 |      |           |      |                             |      |                                    |      |                    |      |                 |      |                |  |
| Sport, Recreation, Arts & Culture                    | 824,401,012     | 16,320,704    | (1,925,889) | (128)        | -           | 26,223,381    | 865,232,559                 | (225,335,406)   | (40,581,512)  | 124          | 348,009                   | (28)      | (265,868,813)   | 599,363,946    |                 |      |           |      |                             |      |                                    |      |                    |      |                 |      |                |  |
| Housing and Sustainable Human Settlement Development | 2,247,227,375   | 157,301,282   | (6,5,696)   | -            | 8,463,520   | 2,412,378,481 | (250,334,630)               | (10,177,212)    | -             | (689,708)    | -                         | -         | (392,855,550)   | 2,019,52,931   |                 |      |           |      |                             |      |                                    |      |                    |      |                 |      |                |  |
| Agriculture & Environmental Management               | 808,717,677     | 72,891,055    | (1,720,067) | (19,692)     | -           | 53,984,015    | 933,852,988                 | (229,770,984)   | (64,158,067)  | 12,891       | (307,839)                 | (5,062)   | (254,229,071)   | 639,623,917    |                 |      |           |      |                             |      |                                    |      |                    |      |                 |      |                |  |
| Transport & Roads: Transport and Storm Water         | 668,698,717     | 53,718,086    | (158,946)   | (36,368)     | -           | 1,295,902     | 723,517,391                 | (102,471,686)   | (22,181,870)  | 36,107       | (397,699)                 | (6,564)   | (125,021,712)   | 598,495,679    |                 |      |           |      |                             |      |                                    |      |                    |      |                 |      |                |  |
| Public Works - Roads: Roads and Storm Water          | 3,926,097,718   | 389,650,823   | (1,317,619) | (133,022)    | -           | 1,972,903     | 4,316,310,803               | (1,164,345,595) | (152,119,297) | 121,031      | 997,253                   | (16,097)  | (1,315,482,705) | 3,000,848,098  |                 |      |           |      |                             |      |                                    |      |                    |      |                 |      |                |  |
| Public Works - Water and Sanitation                  | 4,137,587,013   | 769,473,371   | (292,555)   | (837,139)    | -           | 6,663,294     | 4,913,241,123               | (933,443,884)   | (118,568,256) | -            | (2,666,181)               | -         | (1,054,788,351) | 3,656,442,772  |                 |      |           |      |                             |      |                                    |      |                    |      |                 |      |                |  |
| Public Works - Electricity                           | 3,658,592,871   | 588,528,157   | (2,146,191) | (27,108,274) | (3,494,224) | -             | 4,105,278                   | 4,248,222,976   | (869,543,106) | (87,100,047) | 679,375                   | (26,014)  | (117,791)       | (955,817,555)  | 3,292,405,421   |      |           |      |                             |      |                                    |      |                    |      |                 |      |                |  |
|  | 19,181,040,089  | 2,262,565,428 |             |              |             |               | 21,559,618,661              | (4,685,691,065) | (718,752,664) | 3,153,792    | (170,638)                 | (490,306) | (5,401,950,881) | 16,157,667,780 |                 |      |           |      |                             |      |                                    |      |                    |      |                 |      |                |  |

## City of Tshwane Metropolitan Municipality

### Appendix D Supplementary unaudited information

#### Segmental Statement of Financial Performance for the year ended Prior Year (30 June 2010)

| Municipality/Group   | Current Year (30 June 2011) |                            |                             |
|--|-----------------------------|----------------------------|-----------------------------|
|  | Actual Income<br>Rand       | Actual Expenditure<br>Rand | Surplus / (Deficit)<br>Rand |
| Office of Executive Mayor and Municipal Manager            | 63,870,828                  | 414,335,791                | (350,464,963)               |
| Corporate and Shared Services                              | 19,156,881                  | 935,432,473                | (916,275,592)               |
| City Planning & Economic Development: Economic Development | 3,272,601                   | 58,269,954                 | (54,997,353)                |
| Financial Services   | 145,062,432                 | 647,437,988                | (502,375,556)               |
| General Assessments  | 4,875,114,564               | 772,589,974                | 4,102,524,590               |
| Housing and Sustainable Human Settlement Development       | 23,812,775                  | 323,330,592                | (299,517,817)               |
| Sport and Recreation                                       | 29,618,982                  | 184,599,861                | (154,980,879)               |
| Community Safety   | 131,000,140                 | 1,124,250,563              | (993,250,423)               |
| Agriculture & Environmental Management                     | 581,930,600                 | 1,462,898,440              | (880,967,840)               |
| Health and Social Development                              | 82,012,431                  | 329,500,583                | (247,488,152)               |
| City Planning & Economic Development: City Planning        | 105,681,773                 | 161,049,493                | (55,367,720)                |
| Transport & Roads: Roads and Storm water                   | 153,669,307                 | 715,843,200                | (562,173,893)               |
| Transport & Roads: Transport                               | 153,860,631                 | 434,998,973                | (281,138,342)               |
| Public Works - Electricity                                 | 6,391,817,128               | 5,387,664,645              | 1,004,152,483               |
| Public Works - Water and Sanitation                        | 2,467,098,904               | 1,867,679,532              | 599,419,372                 |
|  | 15,226,979,977              | 14,819,882,062             | 407,097,915                 |
| <b>13,689,663,549</b>                                      | <b>13,198,775,469</b>       | <b>490,888,080</b>         |                             |

**City of Tshwane Metropolitan Municipality**  
**Appendix E**  
**Supplementary unaudited information**

**Actual Operating Revenue & Expenditure vs Budget for the year ended 30 June 2011**

| Current year 2011<br>Actual Balances<br>Rand   | Current year 2011<br>Adjusted budget<br>10% versus Budget |                                   | Variance<br>Rand | Variance<br>% | Explanation of Significant Variances greater than<br>10%   |
|--|---|-----------------------------------|------------------|---------------|--|
|  | Including   | Excluding<br>Eliminating Journals |                  |               |  |
|  | Rand  | %                                 |                  |               |  |
| <b>Revenue</b>   |   |                                   |                  |               |  |
| Property rates growth in properties, re-categorisation of properties, growth in indigent registrations and legislative changes                                       | 2,907,284,048   | 3,003,901,866                     | (96,617,818)     | (3.22)        | Some factors cannot be accurately determined e.g.  |
| Service charges revenue lower due to the service not expanding as anticipated  | 8,387,430,101   | 8,581,480,069                     | (194,049,968)    | (2.26)        | Water sales lower due to high rainfall; refuse removal   |
| Rental of facilities and equipment unavailability of sufficient busses   | 101,719,839   | 107,919,173                       | (6,199,334)      | (5.74)        | Bus rentals realised lower owing to strike action and  |
| Interest received - external investment  | 111,038,462   | 104,857,000                       | 6,181,462        | 5.90          | Improved cash-flow therefore more interest was   |
| Interest received - outstanding debtors  | 213,994,778   | 274,386,450                       | (60,391,672)     | (22.01)       | Interest rate is adjusted twice per annum. Declining interest rates, extended incentive scheme and targeted actions all impacted on arrear balances and write-off of irrecoverable |
| Fines (Traffic fines) administrative challenges and netting off of amounts owed to and by CoT and RTMC   | 7,990,659   | 65,109,438                        | (57,118,779)     | (87.73)       | Implementation of AARTO act and subsequent   |
| Licences and permits Government grants & subsidies and NDPG owing to national government non-approval of projects/non-transfer of funds, which halted implementation | 35,988,659  | 34,529,492                        | 1,459,167        | 4.23          | Budget amount was determined conservatively  |
| Other income dumping fees, sale of stone, sale of aeroplane fuel realised lower owing to lower demand  | 2,513,030,782   | 2,784,449,541                     | (271,418,759)    | (9.75)        | Under spending on grant funded projects e.g. PTIS  |
| Public contributions and donations   | 811,168,865   | 954,618,803                       | (143,449,938)    | (15.03)       | Reconnection fees, connection fees, bulk containers,   |
|  | 119,154,209   | 127,131,000                       | (7,976,791)      | (6.27)        | Contributions for rezoning, roads and storm water and parks realised lower due to lower demand   |
|  | 15,211,517,333  | 16,038,382,832                    | (826,865,499)    | (5.16)        |  |
| <b>Expenses</b>  |   |                                   |                  |               |  |
| Employee related costs Remuneration of Councillors finalised during budget preparation   | (4,304,325,951)   | (4,330,238,811)                   | 25,912,860       | (0.60)        | Savings due to non-filling of vacancies  |
| Bad debts: contribution Bad debts: written off off of small amounts. Write off in respect of Lotus Gardens was not budgeted for                                      | (728,233,394)   | (402,106,219)                     | (326,127,175)    | 81.10         | Additional provision due to review at year end   |
| Collection costs Depreciation and purification process   | (238,535,652)   | (196,182,781)                     | (42,352,871)     | 21.59         | Difficult to budget accurately due to programmatic write   |
| Impairments to provide for during budget preparation   | (84,779,034)  | (106,528,200)                     | 21,749,166       | (20.42)       | Dependant on usage and commission of third parties   |
| Finance costs disbursement Bulk purchases consumer demand  | (815,777,680)   | (754,338,646)                     | (61,439,034)     | 8.14          | Depreciation is calculated in line with asset verification   |
| Repairs and maintenance - General Grants and subsidies paid  | (1,057,463,847)   | (1,024,486,995)                   | (32,976,852)     | 3.22          | Demand marginally higher than projected  |
| General Expenses compensation commissioner payments, coal purchases and lease of vehicles  | (27,625,621)  | (13,798,600)                      | (13,827,021)     | 100.21        | More applications received than anticipated  |
|  | (2,411,573,502)   | (3,130,983,680)                   | 719,410,178      | (22.98)       | Savings realised on insurance premiums,  |
|  | (14,819,882,062)  | (15,271,411,632)                  | 451,529,570      | (2.96)        |  |
| Other revenue and costs Gain or loss on disposal of assets and liabilities Fair value adjustments  | 9,770,203   | (1,970)                           | 9,772,173        | (496,049.4)   | No auctions were anticipated during budget process - auctions of obsolete items realised gains/losses. Disestablishment of municipal entity  |
| Net surplus/ (deficit) for the year  | 5,692,441   | -                                 | 5,692,441        | -             | Difficult to budget for - only determined at year end  |
|  | 407,097,915   | 766,969,230                       | (359,871,315)    | (46.9)        |  |

**City of Tshwane Metropolitan Municipality**  
**Appendix F**  
**Supplementary unaudited information**

**Segmental Actual Operating Revenue and Expenditure vs budget**

|  | Actual<br>Rand     | Adjustment Budget<br>Rand | Variance<br>Rand     | Variance<br>% | Explanation of significant variances from budget                               |
|--|--------------------|---------------------------|----------------------|---------------|--|
| <b>Revenue</b>   |                    |                           |                      |               |  |
| Office of Executive Mayor and City Manager capital grants                        | 63,870,828         | 112,281,564               | 48,410,736           | 43.12         | Unspent operational grants and reduction in                                    |
| Corporate and Shared Services  | 19,156,881         | 44,170,890                | 25,014,009           | 56.63         | Auctions of obsolete items realised gains                                      |
| City Planning & Economic Development: Economic Development                       | 3,272,601          | 2,970,388                 | (302,213)            | (10.17)       |  |
| Financial Services   | 145,062,432        | 138,007,420               | (7,055,012)          | (5.11)        | interest earned realised higher due to improved cash flow                      |
| General Assessments  | 4,875,114,564      | 4,916,626,478             | 41,511,914           | 0.84          | Revenue from property rates due to inaccuracy on amounts estimated             |
| Housing and Sustainable Human settlement Development                             | 23,812,775         | 46,452,455                | 22,639,680           | 48.74         | Reimbursement of cost by GDLGH could not be included in adjustment budget      |
| Sport and Recreation   | 29,618,982         | 14,860,443                | (14,758,539)         | (99.31)       | Review of useful lives of assets could not be budgeted for                     |
| Community Safety anticipated   | 131,000,140        | 162,886,483               | 31,886,343           | 19.58         | Fines & AARTO commission not realising as anticipated                          |
| Agriculture & Environmental management anticipated                               | 581,930,600        | 651,054,634               | 69,124,034           | 10.62         | Waste removal service did not expand as anticipated                            |
| Health and Social Development  | 82,012,431         | 83,318,427                | 1,305,996            | 1.57          | Review of useful lives of assets could not be budgeted for                     |
| City Planning & Economic Development: City Planning                              | 105,681,773        | 109,481,613               | 3,799,840            | 3.47          | Decline in township development contributions: rezoning which is market driven |
| Transport & Roads: Roads and Storm water   | 153,669,307        | 228,047,052               | 74,377,745           | 32.62         | Delays in contractor appointments & procurement process                        |
| Transport & Roads: Transport change in Integrated Rapid Public Transport project | 153,860,631        | 373,526,109               | 219,665,478          | 58.81         | Under spending on operational grants due to                                    |
| Public Works - Electricity extended incentive scheme                             | 6,391,817,128      | 6,374,308,990             | (17,508,138)         | (0.27)        | Decline in interest on arrear amounts and                                      |
| Public Works - Water and Sanitation rainfall                                     | 2,467,098,904      | 2,780,389,886             | 313,290,982          | 11.27         | Water sales lower than budgeted due to high rainfall                           |
| <b>15,226,979,977</b>  |                    | <b>16,252,425,541</b>     | <b>1,025,445,564</b> | <b>6.31</b>   |  |
| <b>Expenditure</b>   |                    |                           |                      |               |  |
| Office of Executive mayor and Municipal Manager grant projects                   | 414,335,791        | 466,893,272               | 52,557,481           | 11.26         | Expenditure did not materialise on certain                                     |
| Corporate and Shared Services  | 935,432,473        | 1,011,654,825             | 76,222,352           | 7.53          | Vacancies not filled   |
| City Planning & Economic Development: Economic Development                       | 58,269,954         | 66,839,465                | 8,569,511            | 12.82         | Vacancies not filled yet   |
| Financial Services   | 647,437,988        | 736,254,811               | 88,816,823           | 12.06         | Savings realised on insurance premiums   |
| General Assessments end higher than anticipated                                  | 772,589,974        | 629,612,869               | (142,977,105)        | (22.71)       | Post employment benefit expenditure at year                                    |
| Housing and sustainable human Settlement Development                             | 323,330,592        | 353,270,548               | 29,939,956           | 8.48          | Depreciation higher due to purification of asset register                      |
| Sport and Recreation due to delayed process of borrowing disbursement            | 184,599,861        | 221,907,183               | 37,307,322           | 16.81         | Savings realised on interest: external loans                                   |
| Community Safety lives and asset purification                                    | 1,124,250,563      | 1,162,340,497             | 38,089,934           | 3.28          | Depreciation lower due to review of useful                                     |
| Agriculture & Environmental Management action                                    | 1,462,898,440      | 1,377,699,919             | (85,198,521)         | (6.18)        | Incorporation of labour brokers and industrial                                 |
| Health and Social Development workers  | 329,500,583        | 355,801,741               | 26,301,158           | 7.39          | Vacancies filled in June 2011 and contract                                     |
| City Planning & Economic Development: City Planning                              | 161,049,493        | 178,925,504               | 17,876,011           | 9.99          | Vacancies not filled yet   |
| Transport & Roads: Roads and Storm water   | 715,843,200        | 754,368,195               | 38,524,995           | 5.11          | Remuneration overspent - demand driven   |
| Transport & Roads: Transport   | 434,998,973        | 667,121,034               | 232,122,061          | 34.79         | Delays in PTIS grant projects due to review of BRT project                     |
| Public Works - Electricity   | 5,387,664,645      | 5,290,485,240             | (97,179,405)         | (1.84)        | Overtime and increase in bulk purchases  |
| Public Works - Water and Sanitation  | 1,867,679,532      | 2,212,281,208             | 344,601,676          | 15.58         | Bulk water purchases higher than anticipated                                   |
| <b>14,819,882,062</b>  |                    | <b>15,485,456,311</b>     | <b>665,574,249</b>   | <b>4.30</b>   |  |
| <b>Total</b>   | <b>407,097,915</b> | <b>766,969,230</b>        | <b>359,871,315</b>   | <b>46.92</b>  |  |

Capital Expenditure: Actual vs Budget as at 30 June 2011

| Municipality  | Actual<br>Rand | Adjustment<br>Budget<br>Rand | Variance<br>Rand                             | Variance<br>% | Explanation of significant variances from budget                                |
|---|----------------|------------------------------|--|---------------|---|
| Office of Executive Mayor and Municipal Manager   | 10,975,966     | 38,637,000                   | 27,661,034                                   | 71.59         | Mameloedi/Nelmapius business plan only approved by                              |
| Corporate and Shared Services process - replacement/modernization of lifts within council buildings   | 130,928,268    | 95,247,001                   | National Treasury in March 2011 (35,681,267) | (37.46)       | Original tender cancelled & delays in new tender                                |
| Financial Services  | 8,790,999      | 16,259,002                   | 7,468,003                                    | 45.93         | Fewer replacement of assets across Tshwane                                      |
| Housing & Sustainable Human Settlement Development  | 151,814,743    | 132,162,465                  | (19,652,278)                                 | (14.87)       | Expenditures incurred during 2009/10 payment received from GDLGH and recorded   |
| Sport and Recreation  | 8,294,377      | 31,000,001                   | 22,705,624                                   | 73.24         | Late appointment of contractor on Stanza Bopape &                               |
| Mabopane Libraries  | 28,249,206     | 38,610,900                   | 10,361,694                                   | 26.84         | Acquisition of fire fighting vehicles could not be delivered on stipulated time |
| Community Safety  | 73,411,252     | 80,884,640                   | 7,473,338                                    | 9.24          | Klip/Kruisfontein cemetery delay in development due to                          |
| Agriculture & Environmental Management  | 24,590,852     | 26,316,000                   | 1,725,148                                    | 6.56          | Savings on upgrade on Workflow System for Health                                |
| Health and Social Development   | 2,892,801      | 4,523,000                    | 1,630,199                                    | 36.04         | Savings due to VAT not reflecting   |
| City Planning and Economic Development: City Planning   | 9,807,040      | 10,500,000                   | 692,960                                      | 6.60          | Savings due to VAT not reflecting   |
| City Planning and Economic Development: Economic Development Transport & Roads: Roads and Storm water | 370,869,747    | 457,973,580                  | 87,103,833                                   | 19.02         | Delay in procurement process for upgrading of Maunde                            |
| Transport & Roads: Transport approved   | 72,104,384     | 91,380,000                   | & Wonderboom Airport access                  | 21.09         | Tender for "Facilities Management Program" not                                  |
| Public Works - Electricity station refurbishment project  | 582,137,178    | 601,800,000                  | 19,662,822                                   | 3.27          | Delay in finalisation of tenders at Rooiwal Power                               |
| Public Works - Water and Sanitation eradication" project  | 768,384,900    | 798,986,907                  | 30,602,007                                   | 3.83          | Stoppage of "refurbishing of water network & backlog                            |
| 2,243,251,713   | 2,424,280,496  | 181,028,783                  | 7.47   |               |   |

**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 (Supplementary unaudited information)**  
June 2011

|   |   |  |                    |                                      |  |
|---|---|--|--------------------|--------------------------------------|--|
| Capital Grants:   | Mabopane Indoor Centre  | Gauteng: Sport, Arts, Culture & Recreation           | None               | None                                 | Yes  |
| Recreation  | Integrated national electrification programme (INEP)            | Department of Mineral & Energy (DME)                 | None               | None                                 | Yes  |
| Integrating Project Linked Housing                          | Gauteng: Local Government & Housing (GLGH)                      | Gauteng: Local Government & Housing (GLGH)           | None               | None                                 | Yes  |
| Municipal Infrastructure Grant (MIG)                        | Cooperative Governance & Traditional Affairs (CoGTA)            | Cooperative Governance & Traditional Affairs (CoGTA) | None               | None                                 | Yes  |
| Gauteng Job Creation Water Services Capital Grant           | Gauteng: Transport Department Water Affairs and Forestry (DWAF) | Gauteng: Transport (GDoT)                            | R144,1m PTIS funds | Under Performance                    | Yes  |
| PTIS: Roads   | Monument Golf Club  | Gauteng: Transport (GDoT)                            | None               | None                                 | Yes  |
| PTIS: Transport   | Housing Accreditation   | Monument Golf Club                                   | None               | None                                 | Yes  |
| Monument Golf Club  | Housing (GLGH)  | Gauteng: Local Government & Housing (GLGH)           | None               | None                                 | Yes  |
| EPWP  | Department of Public Works                                      | Department of Public Works                           | None               | None                                 | Yes  |
| Sport and Recreation  | Gauteng: Sport, Arts, Culture & Recreation                      | Gauteng: Sport, Arts, Culture & Recreation           | None               | None                                 | Yes  |
| Electricity Demand Side (EDS) Blue IQ                       | Department of Mineral & Energy Blue IQ                          | Department of Mineral & Energy Blue IQ               | None               | None                                 | Yes  |
| Local Economic Development: Winterveld LG SETA Merit awards | Gauteng: Economic Development (GPGEDD) LG SETA                  | Gauteng: Economic Development (GPGEDD) LG SETA       | None               | None                                 | Yes  |
| Community Libraries   | Gauteng: Sport, Arts, Culture & Recreation                      | Gauteng: Sport, Arts, Culture & Recreation           | None               | None                                 | Yes  |
| Recreation  | FMG Restructuring grant   | National Treasury                                    | None               | None                                 | Yes  |
| FMG Restructuring grant                                     | Neighbourhood Development Partnership                           | National Treasury                                    | R26,9 m            | Partial approval of Business plan    | Yes  |
| Neighbourhood Development Partnership                       | Sandspruit Works Association                                    | National Treasury                                    | None               | None                                 | Yes  |
| Sandspruit Works Association                                | DWAF  | DWAF   | 332,906,715        | (1,407,422) (371,802,427)158,693,000 | 158,179,000 335,550,111 19,518,912 671,941,023 495,279,627 136,358,262 |

**Disclosures of Grants and Subsidies in terms of Section 123 MfMA, 56 of 2003 (Supplementary unaudited information)**

|  |               |              |
|--|---------------|--------------|
| (see note 25)  |               |              |
| Unspent conditional grants per Statement of Financial Position | 405,454,427   | (76,135,872) |
| (see note 9)   |               |              |
|  | (329,318,555) |              |
|  | 392,510,660   |              |

# CHAPTER 5

## 5. FUNCTIONAL SERVICE DELIVERY

### GENERAL INFORMATION

#### GEOGRAPHICAL AREA

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## 5.1 GENERAL

### 5.1.1 GEOGRAPHY AND DEMOGRAPHICS

The City of Tshwane Metropolitan Municipality's land area is 2,198 square kilometres.

There are around 2 200 000 people living within the borders of Tshwane and the demographics are as follows: 72,65% black; 23,84% white; 1,99% coloured and 1,52% Indian or Asian. There are six dominant languages in the city, namely: Sepedi, Setswana, Afrikaans, English, Xitsonga and isiZulu.

| FEMALE | AGE   | POPULATION GROUP |        |          |       |
|--------|-------|------------------|--------|----------|-------|
|        |       | African          | White  | Coloured | Asian |
|        |       | CoT              | CoT    | CoT      | CoT   |
|        | 00-04 | 61,176           | 16,247 | 2,217    | 1,355 |
|        | 05-09 | 71,785           | 18,250 | 2,027    | 1,399 |
|        | 10-14 | 77,820           | 20,010 | 1,952    | 1,329 |
|        | 15-19 | 81,867           | 23,082 | 1,982    | 1,207 |
|        | 20-24 | 65,755           | 21,101 | 1,863    | 1,302 |
|        |       |                  |        |          |       |
|        | 25-29 | 61,605           | 19,559 | 2,154    | 1,688 |
|        | 30-34 | 68,499           | 21,539 | 2,210    | 1,850 |
|        | 35-39 | 66,700           | 21,369 | 2,011    | 1,630 |
|        | 40-44 | 62,725           | 21,660 | 1,680    | 1,331 |
|        | 45-49 | 52,441           | 18,279 | 1,509    | 1,068 |
|        | 50-54 | 44,268           | 16,580 | 1,351    | 934   |
|        | 55-59 | 38,154           | 15,183 | 979      | 835   |
|        | 60-64 | 24,974           | 14,225 | 654      | 596   |
|        | 65-69 | 15,421           | 11,881 | 460      | 432   |
|        | 70-74 | 11,946           | 8,837  | 310      | 344   |
|        | 75+   | 12,387           | 12,726 | 450      | 252   |

Constructed from Global Insight data

| MALE | AGE   | POPULATION GROUP |        |          |       |
|------|-------|------------------|--------|----------|-------|
|      |       | African          | White  | Coloured | Asian |
|      |       | CoT              | CoT    | CoT      | CoT   |
|      | 00-04 | 60,542           | 16,845 | 2,087    | 1,351 |
|      | 05-09 | 74,181           | 18,588 | 2,026    | 1,463 |
|      | 10-14 | 80,136           | 20,987 | 1,912    | 1,214 |
|      | 15-19 | 80,046           | 23,742 | 1,824    | 1,304 |
|      | 20-24 | 62,021           | 22,005 | 1,829    | 1,228 |
|      | 25-29 | 59,337           | 18,759 | 1,865    | 1,609 |
|      | 30-34 | 74,659           | 21,618 | 2,210    | 1,858 |
|      | 35-39 | 77,029           | 21,555 | 1,966    | 1,639 |
|      | 40-44 | 68,077           | 20,582 | 1,524    | 1,380 |
|      | 45-49 | 57,907           | 16,988 | 1,306    | 1,081 |
|      | 50-54 | 40,612           | 15,005 | 1,094    | 892   |
|      | 55-59 | 33,589           | 13,264 | 795      | 762   |
|      | 60-64 | 21,531           | 12,499 | 483      | 617   |
|      | 65-69 | 13,064           | 10,148 | 293      | 327   |
|      | 70-74 | 7,408            | 7,457  | 176      | 242   |
|      | 75+   | 6,444            | 7,862  | 127      | 198   |

### 5.1.2 TRANSPORT AND MILITARY BASE

The main railway station is located in Pretoria, housing long-distance luxury buses as well as a taxi rank within its perimeters. The station will soon also be the first stop for Gautrain passengers from either Oliver Tambo International Airport or other Gautrain stations in Johannesburg.

Wonderboom Airport, in the north of Tshwane, serves light aircrafts and recently celebrated its 75<sup>th</sup> year in aviation with an air show in June. The event was a huge success and aviation enthusiasts were treated to state of the art air shows and aircraft displays.

### 5.1.3 EDUCATION AND RESEARCH COUNCILS

Tshwane is home to several institutions of higher learning and research councils. The University of South Africa (UNISA) is one of the largest distance-learning universities in the world, also serving international students. The University of Pretoria is one of South Africa's leading research and teaching institutions, striving for academic excellence and a focus on quality.

Among the many research councils that are located within the Municipality is the South African Council for Scientific and Industrial Research (CSIR) and the Human Sciences Research Council (HSRC).

Figure 6: MOU - AEM & National Zoological Gardens - 3 Lions housed @ Rietvlei Nature Reserve

## **5.2 FUNCTIONAL ANALYSIS PER GOVERNMENT FINANCE STATISTICS CLASSIFICATION**

### **5.2.1 COUNCIL AND EXECUTIVE**

#### **5.2.1.1 Office of the Speaker**

The Speaker presides over all Council meetings and ensures that they are conducted in accordance with the rules and orders of the Municipality.

The Council has a Rules Committee that represents all political parties and is chaired by the Speaker. All councillors are required to adhere to the Code of Conduct for Councillors, which was established by national legislation. This code is aimed at ensuring that councillors are accountable for their actions and to the community.

Council has entrusted the facilitation of public participation to the Speaker. The Office of the Speaker is therefore a link between Council and the communities. In partnership with departments, the Office of the Speaker makes use of ward, petition and other committees to promote and enhance public participation.

The Office of the Speaker is also responsible for the overall coordination of Council and Section 79 committees, including secretariat support.

The table below depicts public participation events that took place during the year under review.

| Event  | Objective   | Impact  |
|--|---|---|
| Transport sectoral meeting                                     | -To create a formalised interaction platform with different sectors with a view of fostering relations and enhancing the participatory democracy role of the Office of the Speaker  | -Better understanding and differentiation between the offices of the Speaker, Executive Mayor and Chief Whip                          |
| Professionals and Academic Assembly                            | -To create a formalised interaction platform with different sectors with a view of fostering relations and enhancing the participatory democracy role of the Office of the Speaker<br>-To clarify the role of academics and professionals in developmental local government | -Improved relations between the offices of the Speaker and the professionals and academics of all institutions in the City of Tshwane |
| Domestic worker's sectoral meeting                             | -To enhance the public participation role of the Speaker and highlight the importance of domestic workers as a sector within the ward committee system  | Improved relations with the Office of the Speaker within the context of participatory democracy at ward level                         |
| Ward committee conference                                      | -To assess progress made since the last conference and consolidate our vision on improving ward-participatory governance  | -Efficient and effective ward committee system  |
| Budget and IDP meetings  | -To ensure the involvement and participation of communities in the Budget and IDP processes   | -Better understanding of and improved participation in the IDP and budget processes   |
| Green Building By-law  | -To involve the community in the affairs of the Municipality in terms of Section 16 and 17 of the Local Government Municipal Systems Act  | -Better understanding of the by-law   |
| Health Assembly  | -To create a formalised interaction platform with different sectors with a view of fostering relations and enhancing the participatory democracy role of the Office of the Speaker  | -Better understanding of the role of the Office of the Speaker and sector participation at ward level                                 |
| Education Assembly   | -To enhance the public participation role of the Office of the Speaker as well as the support the education sector provides in the development of the Municipality  | -Good working relationship between the school governing bodies and ward committees  |
| Zonal meetings   | -To enhance the public participation role of the Speaker  | -Efficient and effective ward committees  |
| Meeting with the gurus/influential community leaders – Laudium | -To enhance the public participation role of the Office of the Speaker  | -Improved relations between the Office of the Speaker and the minority communities  |

### **5.2.1.2 THE CHIEF WHIP'S OFFICE**

The Chief Whip's Office is mainly responsible for the political operations of Council. These include acting as a link between the executive (the Mayoral Committee and the legislature of local government), the ruling party and other parties in Council. It also ensures that discipline is maintained at all times.

Since the Chief Whip is elected from the ruling party of Council, one of the key political responsibilities of his or her office is to ensure that the strategic direction adopted by the Municipality is in line with the mandate and policy directives of the ruling party. This also ensures that Council and the committees of the Council meetings are accurately constituted and that they promote and maintain positive party-to-party relations.

This office also organises party caucuses for portfolio committee and council meetings, including the planning of their agendas and attending to the logistical arrangements. It further organises required resources for councillors, coordinates constituency work of councillors, receives and considers applications for leave of absence by councillors in accordance with the Council's policy.

### **COUNCILLOR WELLNESS AND CAPACITY DEVELOPMENT**

A memorandum of understanding was entered into with various institutions of higher learning for the purpose of developing councillors. The table below depicts programmes that were offered and attended by various councillors as part of skills and capacity development.

| NAME OF PROGRAMME  | NUMBER TRAINED | PROGRAMME OBJECTIVES  |
|--|----------------|---|
| Municipal Management Development Programme ( Foundation) | 80             | Designed to develop the skills needed to effectively serve the citizens of South Africa |
| Municipal Management Development Programme (Emerging)    | 90             | Designed to develop intermediate management skills                                      |
| Advanced Municipal Management Development Programme      | 73             | Provides an advanced understanding of the management function in an organisation        |
| Basic Computer Training                                  | 84             | Introduces participants to using a computer   |
| Advance Computer Training                                | 84             | Introduces participants to advance computing  |
| Mentorship Programme for Women Councillors               | 4              | Develops the skills of women councillors  |

|  |   |  |
|--|---|--|
| Certificate Programme in Public Management   | 4 | <p>Aimed at those interested in pursuing a career in the public service, or who have been working for a while in the public service and wish to secure a formal qualification in that field</p> <p>This programme brings together all the key management functions that will help learners manage themselves, projects, people and finances.</p> <p>The Certificate in Public Management is registered at NQF level 5 with 120 credits. It is a 12-month programme, comprising four compulsory modules and one elective.</p>   |
| National Certificate in Municipal Governance | 6 | <ul style="list-style-type: none"> <li>• To demonstrate a basic level of knowledge and understanding of the main principles of a good government at local government level</li> <li>• To understand the need for the nominative tenets of municipal management and government within the context of a good government framework</li> <li>• To demonstrate familiarity with the manifestation of unethical conduct at local government level</li> <li>• To demonstrate the basic ability of applying measure which may be undertaken to prevent unethical conduct and promote integrity at local level</li> </ul> |

### 5.2.1.3 OFFICE OF THE CITY MANAGER

#### Tshwane Communication and Information Services (TCIS)

The Tshwane Communication and Information Services (TCIS) Division offers the City of Tshwane departments communication, marketing and language services that are part of an image-enhancing and brand-building strategy. They actively pursue the realisation of the Municipality's vision of being a leading African capital city of excellence.

The unit has also embarked on creating a strong corporate identity for the Municipality – one that will be recognised and accepted by all spheres of government and by African and other international markets.

## **Internal Communication**

During the year under review, internal communication has continued to play a pivotal role in advancing employee communication within the organisation. Some of the achievements reached include –

- cementing the internal communication mediums such as the intranet, corporate messages and the monthly electronic newsletters called "Tshwane Brief" and "Next week in Tshwane";
- introducing sms messaging to communicate easily with employees, taking advantage of the fact that our employees have access to mobile phones and other social media applications such as Twitter and Facebook;
- unequivocally supporting departments by communicating their events with a view to promote information sharing;
- developing a handbook for managers to improve their interaction and engagement with employees;
- celebrating Public Service Week by developing a survey/teaser to keep employees abreast of the Batho Pele principles and what they mean in relation to serving the community with dignity and humility;
- project leading the communication and marketing for the merger between the City of Tshwane and Metsweding municipalities.

## **External Communications**

The External Communication Section has, during the past year, supported departments in profiling and promoting their projects, programmes and events. This support included, among other things, media liaison, radio interviews, media conferences, editorials and website articles.

- During the past year this section was also responsible for following trends in the media through its media monitoring and analysis function.
- Departments were made aware of trends and requested to act upon service delivery failures in the communities. In some instances, special communication programmes were developed to resolve service delivery issues.
- The section also assisted with numerous public enquiries and facilitated enquiries received by ratepayers associations.
- A concerted effort was made to establish a positive working relationship with the social network 'Mobilitate', to enable ratepayers to report their service delivery enquiries through this network.
- The section is busy establishing a working relationship with service delivery departments and 'Mobilitate' to ensure that enquiries are attended to and resolved within a short space of time.

## Publications

The following are some of the achievements during the year under review:

- Developing and producing publications and booklets, in support of departments, on information that needs to be communicated to communities and distributed citywide, eg annual reports and the SDBIP
- Producing and launching the City's newspaper which is printed bi-weekly and distributed citywide with the aim of sharing information and achievements with communities – especially on service delivery
- Collating information on the merger between Tshwane and Metswedeng and producing a publication in this regard
- Marketing and communication of key municipal services
- Providing an integrated communication, marketing and information service

#### 5.2.1.4 SERVICE DELIVERY COORDINATOR

Functions include –

- the compilation and control of the Corporate Service Delivery Budget Implementation Plan;
- organisational performance reporting, monitoring and evaluation, including the compilation of the annual report;
- corporate project planning and monitoring, including monthly project performance reports;
- the management and monitoring of the five regions; and
- coordinating, managing and monitoring the implementation of the Expanded Public Works Programme.

#### Expanded Public Works Programme (EPWP)

The City of Tshwane views the national job creation imperative in a serious light. The Mayoral Committee has approved the City of Tshwane's EPWP Implementation Plan. It serves as the official blueprint of the City of Tshwane for implementing the EPWP. During the 2010/11 financial year, through the EPWP, the City of Tshwane's departments collectively created 11 131 work opportunities with the capital and operational budgets.

R1,7 billion was spent in job creation through the Expanded Public Works Programme by implementing 140 capital and operational projects. In total, 11 131 work opportunities were created and the beneficiaries were as follows:

2759 adult women

1445 adult men

4608 male youths

2318 female youths

The City's indigent Exit Strategy ensures that employment opportunities are open to eligible people from the indigent list to ensure skills transfer and future employment opportunities.

## **REGIONS**

The Municipality, through a Section 12 notice that was issued by the MEC of Local Government and Housing, is in the process of merging with the Metsweding District Municipality as well as its two local municipalities, Nokeng tsa Taemane and Kungwini. As a result, the Municipality has 105 wards and 210 councillors. The five existing wards were also expanded to seven and there will be a stronger emphasis on capacitating these regions to deal with operational issues while planning is centralised. The purpose of these regions is to –

- ensure a decentralised delivery of services; and
- facilitate a customer-centric service delivery orientation.

**Listed below are examples of key initiatives driven by some of the regions.**

- Bringing services closer to the people
- Ensuring the effective delivery of services with focus on regional delivery and promoting service integration
- Accelerating prioritised targeted development within each region
- Providing government that is accountable to communities
- Promoting councillor interaction with the City of Tshwane administration at a regional level

## **SOUTHERN REGION**

This region has been involved in various activities aimed at improving service delivery and meeting and addressing customer needs promptly. Listed, are some of the activities which have been undertaken in the year under review.

- Establishing a City Improvement District for the Centurion CBD (including the Gautrain Station)

The region initiated the concept to the Centurion Business Chamber so as to contribute in maintaining the value that Centurion's Central Business District has on the whole region.

This concept is still under discussion, through the participation of the region, business owners surrounding the Centurion Lake, as well as the Gautrain Station.

- **Recycling of Waste**

The region initiated a recycling programme at the Lyttelton Library. The library is one of the most active libraries in the city and is therefore well-suited for this kind of initiative. The support from the community has been overwhelming and the various items will be collected on a weekly, and sometime twice-weekly, basis.

- **Community Development**

The Southern Region is actively assisting the City's policy regarding creative industries in the region, by cooperating with the Centurion Art Association. This cooperation includes, among other things, making space available for teaching classes in arts and crafts – these include figure drawing, stained glass workshops, water colour workshops, body casting and creative writing.

- **Partnerships with the Private Sector**

The Region is also involved in facilitating the improvement of the intersection at the Bakenkloof Primary School. Business owners in the direct vicinity are in the process of funding the installation of a four-way robot to ensure a better flow of traffic and the safety of the school children and other pedestrians.

## **CENTRAL REGION**

During the year under review, this region has been involved in different projects. Its successes are as follows:

- **Marabastad land tenure**

In August 2009, Council approved the initiation of the Marabastad Tenure Upgrade Process and the establishment of the Marabastad Community Forum (MCF). This resulted in Council approving the qualifying criteria and the donation of 85 of the identified 126 erven in March 2011.

- **Jazz Square in Marabastad**

The Region identified a need for the development of an open space in the CBD, in terms of its mandate to create an environment where the residents can enhance their quality of living in the city. This resulted in Marabastad Jazz Square, which was officially opened by the previous Executive Mayor, Dr Gwen Ramokgopa, on 7 October 2010.

- **Ga-Mothakga Resort**

The Region, in conjunction with the responsible departments, took part in the upgrading of Ga-Mothakga Resort in Atteridgeville. The construction of the resort was completed in the 2010/11 financial year, at a total cost of R 15 million. Electricity installations will be completed in the 2011/12 financial year.

The Region is currently also involved in the development of a youth camp at the resort. The purpose of the camp is to provide facilities to schools and other youth organisations for the presentation of education-related programmes.

- **Trading stalls in Saulsville**

The informal traders in Saulsville were in dire need of proper trading facilities, as the lack of proper trading facilities culminated in various problems, such as littering and conflict between the traders. The Local Economic Development Division, supported by the Region, planned and constructed phase one of the trading stalls in the 2010/11 financial year. A second phase is planned for the 2011/12 financial year.

- **Church Street Mall – Parking/bollards**

The Regional Office purchased bollards to install at the Church Street Mall entrances to reclaim it as a functional pedestrian mall by restricting motor vehicles from entering.

The bollards are meant to prohibit parking within the mall and all intersections have lockable bollards to deal with the problem at hand.

- **Bloed Street Mall**

The Region has successfully facilitated the operations of the Bloed Street Mall. This is a public-private partnership project between the City and Bloed Street Mall (Pty) Ltd. The City owns the land and has concluded a 30-year concession agreement with Bloed Street Mall (Pty) Ltd to build, operate and manage the mall. The project cost R210 million and it not only provides convenient shopping for our community, but also a taxi-ranking facility and informal-trader stalls. The project was launched on 24 October 2008.

- **Re Kgabisa Tshwane**

The NDPW and the City of Tshwane signed a memorandum of understanding (MOU) during 2005. The MOU united the two levels of government in ensuring that the vision and objectives, as set out in the Tshwane Inner City Development Framework, are achieved. The MOU confirmed the principle of the realisation of the

capital city vision through joint planning and execution by both organisations. In brief the MOU entails the following:

- Developing, operating and maintaining Tshwane's inner city as the core of the nation's executive capital, where national government's head office administration is housed
- Producing development frameworks and management plans to effectively facilitate the accommodation of national government offices in the inner city
- Producing urban management plans for the inner city to enable its management

A tender relating to the above was similarly approved by Council with the full participation and concurrence of the NDPW. ARUP was appointed to establish the Inner City Precinct Master Plan. The final tender presentations will be in June 2013.

## **NORTH EAST REGION**

The North East Region is bounded by the Magaliesberg Mountain Range on the south, the N1 Highway on the east, the Gauteng Provincial Boundary – including Hammanskraal, Temba and 12 other areas leading up to the Tswaing Nature Reserve in the north and the eastern boundaries of Winterveld, Soshanguve and Pretoria North in the west – all of these encompass an area of about 500 square kilometres in circumference.

### **Achievements**

- **Youth Economic Development Roadshow**

The Youth Economic Development Roadshow was targeted at empowering unemployed youths, emerging SMMEs, matriculants and other affected stakeholders in the Region. The aim of the roadshow was to inform and educate the youth about the availability and accessibility of economic interventions that the government has put in place through its various agencies.

- Obstacles preventing young adults from reaching financial freedom include a weak-savings culture, the desire for instant gratification and a lack of proper education. In an effort to empower the youth of the North East Region with skills for financial emancipation, the Region forged a partnership with Life Empowerment Training Skills (PTY) LTD under the auspices of ABSA Bank, for the training of the youth in Basic Financial Literacy. In July 2010, over a period of four days, 232 youths from various wards in the region were successfully trained in Basic Financial Literacy.

- The North East Region facilitated and played a supportive role in the signing of a memorandum of understanding between the City of Tshwane's Local Economic Development Division and Khulisa Social Services NGO. The MOU entails the City and the NGO working together to broaden the base of social and economic development interventions for the holistic development of the Region 2 population, especially the youth. Khulisa operates from Sekampaneng Skills Centre where they run various capacity-building programmes for youths, including computer literacy, entrepreneurship and life skills courses.
- The North East Region is characterised by challenges of poverty, low income, low economic activities, a high dependency on grants or the welfare system as well as low education and literacy levels. Responding to capacity-building needs by early childhood development managers in the community, a partnership with the ABSA Centre for Business Education and Training was sourced. The partnership saw 50 ECD managers from different wards in the region attend the Basic Financial Management workshop with a focus on the following aspects:
  - a. Financial Concepts
  - b. The difference between cash flow, income statement and balance sheet
  - c. Managing a day-care centre
- Homelessness on the streets of the city is steadily becoming a serious challenge for residents, business and civil society. It is, however, overshadowed by the size of the population in informal settlements and shack housing. Because unemployment has risen, larger numbers of the poor are living on the margins and are dependent on temporary work or social grants, from where many have descended into homelessness. The North East Region was instrumental in advocating for development of a policy that will address homelessness.

The southern part of the North East Region consists mainly of residential townships with concentrated commercial nodes. However, the area along the Zambezi Drive is infested with many illegal commercial businesses operating in areas zoned for residential purposes. As a result, the region has drafted a by-law to address these contraventions.

## 5.2.2 DEPARTMENTS

The City has 13 departments which work in tandem to contribute to its overall performance – their composition is as follows:

### 5.2.2.1 ENERGY AND ELECTRICITY

In terms of the National Energy Regulator of SA's (NERSA) licence to supply electricity and distribution – the functions of the municipality include the provision of electricity and other alternative energy sources to the residents of Tshwane and other areas.

The key objective of the Energy and Electricity Department is to eradicate backlogs and ensure the provision of electricity to all residents of Tshwane. This includes the implementation of infrastructure investment programmes that address new needs and assist poor communities by providing free basic energy and social support packages.

The challenge of addressing the issue of unaccounted for electricity continues to pose a problem for the City of Tshwane. It also has a significant impact on loss of revenue. Continuous joint operations by the division, together with the Metro Police, will be pursued in the new financial year as part of a strategy to counteract illegal connections and theft.

An additional challenge is the electrification of houses that have to be delivered by the Housing Department before occupation. Electrification targets could not be achieved because of the negative impact of adjustments to the housing budget.

**Analysis of Function**  
**Electricity - Distribution**

| Statistical Information   | 2006/07           |                | 2007/08          |                | 2008/09       |                | 2009/10            |              | 2010/11        |           |
|---|-------------------|----------------|------------------|----------------|---------------|----------------|--------------------|--------------|----------------|-----------|
|   | No                | R (000s)       | No               | R (000s)       | No            | R (000s)       | No                 | R (000s)     | No             | R (000s)  |
| Number and cost to employer of all personnel associated with the electricity distribution function:                 |                   |                |                  |                |               |                |                    |              |                |           |
| - Professional<br>(Engineers/Consultants )  | 184               |                | 188              |                | 186           |                | 444 507            | 132          | 478 975        | 190       |
| - Field<br>(Supervisors/Foremen)  | 172               |                | 212              |                | 189           |                |                    |              | 640            | 195       |
| - Office<br>(Clerical/Administration )  | 71                |                | 378 386          | 147            | 409 842       | 109            |                    |              | 202            | 120       |
| - Non-professional<br>(Blue-collar, outside workforce)  |                   |                | 1 256            |                |               | 1 210          |                    |              | 690            | 1 250     |
| - Temporary   |                   | <Total>        | <Cost>           | -              | -             |                |                    |              |                |           |
| - Contract  |                   | <Total>        | <Cost>           | 796            | 67 950        | 954            | 62 973             | 1 247        | 127 000        | 104 102   |
| <b>TOTAL</b>  | <b>1 879</b>      | <b>378 386</b> | <b>2 603</b>     | <b>477 792</b> | <b>2 648</b>  | <b>507 488</b> | <b>2 911</b>       | <b>2 845</b> | <b>682 084</b> |           |
| Note: Total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package |                   |                |                  |                |               |                |                    |              |                |           |
| Total quantity and cost of bulk electricity purchases in kilowatt hours and rand, by category of consumer           |                   |                |                  |                |               |                |                    |              |                |           |
| - Residential,<br>commercial and<br>residential   | 3 853 927,54<br>8 | R<br>708,916   | 3 926 524<br>059 | 717 539        | 8 056 919 642 | 4 511 875      | 9<br>596,96<br>GWh | 2 272<br>611 | 8,345,294,582  | 3 693 677 |

| Statistical Information  |             | 2006/07   |                   | 2007/08                   |               | 2008/09   |          | 2009/10   |               | 2010/11   |          |
|--|-------------|-----------|-------------------|---------------------------|---------------|-----------|----------|-----------|---------------|-----------|----------|
| No   | R (000s)    | No        | R (000s)          | No                        | R (000s)      | No        | R (000s) | No        | R (000s)      | No        | R (000s) |
| - Other  | <Volume>    | <Cost>    | <Volume>          | <Cost>                    |               |           |          |           |               |           |          |
| <b>TOTAL</b>   | 9 662 GWh   | 1 701 012 | 9 799 GWh         | 1 791 663                 | 8 056 919 642 | 4 511 875 | 9        | 2 272 611 | 8,345,294,582 | 3 693 677 |          |
| Total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer |             |           |                   |                           |               |           |          |           |               |           |          |
| - Household  | 3 415,2 GWh | 1 132 993 | 3 602 550         | 1 447 068                 | 3 035 164 097 | 1 612 585 | 2        | 1 188 658 | 3,235,294,282 | 1 293 658 |          |
| - Commercial/<br>Industrial  | 1 343,4 GWh | 451 572   | 1 383 727         | 470 173                   | 4 472 191 616 | 2 416 221 |          |           | 5,110,000,300 | 2 356 602 |          |
| - Other<br>(Smallholdings)   | <Volume>    | <Cost>    | 108 421 769       | DATA NOT<br>AVAILABL<br>E |               |           |          |           |               |           |          |
| <b>TOTAL</b>   | 8 854,3 GWh | 2 664,517 | 9 098,8 GWh       | 3 009 528                 | 7 507 355 714 | 4 028 806 |          |           | 8,345,294,582 | 3 650 260 |          |
| Total year-to-date electricity losses in kilowatt hours and rand   |             |           |                   |                           |               |           |          |           |               |           |          |
| <b>TOTAL</b>   | 807,6 GWh   | 142 194   | 659 GWh           | 120 395                   | 11 257 989    | 6 304 473 |          |           | 1,398 786,800 | 670       |          |
|  |             |           | Cost of<br>losses |                           | 284           |           |          |           |               |           |          |
| Number of households<br>with electricity access,<br>as well as type and<br>cost of service:                |             |           |                   |                           |               |           |          |           |               |           |          |
| Detail   |             |           |                   |                           |               |           |          |           |               |           |          |

|   |  | 2006/07                                       |               | 2007/08       |               | 2008/09       |               | 2009/10                      |                                    | 2010/11 |          |
|---|--|---|---------------|---------------|---------------|---------------|---------------|------------------------------|------------------------------------|---------|----------|
| Statistical<br>Information                                |  | No  | R (000s)      | No            | R (000s)      | No            | R (000s)      | No                           | R (000s)                           | No      | R (000s) |
| - Electrified areas                                       |  |   |               |               |               |               |               |                              |                                    |         |          |
| - Municipal   | 361 898                                | <Cost>  | 380 863       | 5862          | 80 926        |               |               | 6303                         | 126 000                            |         |          |
|   | Including bulk residential connections |   |               |               |               |               |               |                              |                                    |         |          |
| - ESKOM   | 47,964                                 | DATA NOT AVAILABL E                           | 86 240        | 2080          | 8 736         |               |               | 0                            | 0                                  |         |          |
| - Alternate energy source                                 |  | City does not provide alternate energy source |               |               |               |               |               |                              |                                    |         |          |
| - Solar   | Not available                          | Not available                                 | Not available | Not available | Not available | Not available | Not available | 13 897 (Solar water geysers) | 74 000 (Eskom and 30 000 (Tshwane) |         |          |
| Number and cost of new connections:                       | No                                     | R (000s)                                      | No            | R (000s)      |               |               |               | 1704                         | 20 000                             |         |          |
| Number and cost of new connections (Private developments) | 3 839                                  | R 23,400                                      | 6 375         | 25 814        | 552           | 25 240        |               | 1704                         | 20 000                             |         |          |
| Total (All developments)                                  | 8,623                                  | R 22,662                                      | 6 375         | 25 814        | 552           | 25 240        |               | 1704                         | 20 000                             |         |          |

| Statistical Information  | 2006/07         |  |   | 2007/08         |                |                            | 2008/09           |                    |                | 2009/10                        |          |  |
|--|-----------------|--|---|-----------------|----------------|----------------------------|-------------------|--------------------|----------------|--------------------------------|----------|--|
|  | No              | R (000s)   | No                                      | No              | R (000s)       | No                         | R (000s)          | No                 | R (000s)       | No                             | R (000s) |  |
| Number and cost of disconnections and reconnections                            | 196 415         | R32 928  | 451 874                                 | R12,723,        | 174 649        | Disconnection<br>s         | 3 902 108         | Disconnection<br>s | 130 000        | Disconnections                 | R64 238  |  |
|  |                 | Including the 328 final demands delivered and the 51 101 illegal connection inspections done | Includes final demand notices delivered |                 | 116 118        | Reconnection<br>s          | 1 019             | Reconnection<br>s  | 85 000         | Reconnections                  |          |  |
| <b>Total</b>   | <b>196,415</b>  | <b>R32 928</b>   | <b>451,874</b>                          | <b>R12,723,</b> | <b>290 767</b> |                            | <b>3 903 127</b>  |                    | <b>350 000</b> | <b>final demands delivered</b> |          |  |
| Number and total value of electrification projects planned and current:        |                 |  |   |                 |                |                            |                   |                    |                |                                |          |  |
| - Current (Financial year after year reported on) (2010/11)                    | 32              | R 368,335  | 32                                      | R 421 985       | 7              | electrification and 3 bulk | 13,500 and 47,000 |                    |                | 23                             | 601 800  |  |
| - Planned (Future years) (2011/12)   | 27              | R 409,651  | 27                                      | R 442 790       | 5              | electrification projects   | 22,778            |                    |                | 29                             | 527 544  |  |
| Note: Provide total project and project value as per initial or revised budget |                 |  |   |                 |                |                            |                   |                    |                |                                |          |  |
| Anticipated expansion of electricity service:                                  |                 |  |   |                 |                |                            |                   |                    |                |                                |          |  |
| <b>Total</b>   | <b>— 12 000</b> | <b>R63 600</b>   | <b>16 402</b>                           | <b>R150 300</b> | <b>8494</b>    |                            | <b>114 902</b>    |                    |                |                                |          |  |

| Statistical Information  | 2006/07             |            |   | 2007/08                               |                            |                  | 2008/09  |    |          | 2009/10 |          |                   | 2010/11  |  |  |
|--|---------------------|------------|---|---------------------------------------|----------------------------|------------------|----------|----|----------|---------|----------|-------------------|----------|--|--|
|  | No                  | R (000s)   | No  | No                                    | R (000s)                   | No               | R (000s) | No | R (000s) | No      | R (000s) | No                | R (000s) |  |  |
| Note: provide total number of households anticipated to benefit and total additional operating cost per year to the Municipality |                     |            |   |                                       |                            |                  |          |    |          |         |          |                   |          |  |  |
| Estimated backlog in number and cost to provide electricity connections:   |                     |            |   |                                       |                            |                  |          |    |          |         |          |                   |          |  |  |
| Total  | 136,00 <sup>1</sup> | R 680,000  |   | 16 402                                | R 150 300                  | 7942             | R 64,330 |    |          | 6303    |          | 126 000           |          |  |  |
|  | 12 000              | R 63 600   |   |                                       |                            |                  |          |    |          |         |          |                   |          |  |  |
| Note: Total number should appear in the IDP, and the cost in future budgeted capital housing programmes                          |                     |            |   |                                       |                            |                  |          |    |          |         |          |                   |          |  |  |
| Free Basic Service Provision:  |                     |            |   |                                       |                            |                  |          |    |          |         |          |                   |          |  |  |
| - Quantity (Number of households affected)   | 394 168             | 89 371 721 | Approximatey 70 000 customers including ESKOM areas     |                                       | Value not available as yet | 26 756           |          |    |          |         |          |                   |          |  |  |
| - Quantum (Value to each household)  | 50 kWh per month    | R20,48     | 100 kWh for indigent consumers and 50 kWh for customers | R 43,43 (Indigent) R71,72 (customers) | 100 kWh                    | R56,00 indigents |          |    |          | 100 kWh |          | R56,000 indigents |          |  |  |

<sup>1</sup> This backlog refers to the Housing backlog

| Statistical Information   | 2006/07                         |          |         | 2007/08   |                                     |         | 2008/09 |          |    | 2009/10 |  |  | 2010/11  |  |  |
|---|---------------------------------|----------|---------|---|-------------------------------------|---------|---------|----------|----|---------|--|--|----------|--|--|
|   | No                              | R (000s) | No      | No  | R (000s)                            | No      | No      | R (000s) | No | No      | R (000s)   | No   | R (000s) |  |  |
|   |                                 |          |         | consuming less than 200kWh / month  | consuming less than 200 kWh / month |         |         |          |    |         |  |  |          |  |  |
| Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of free basic services provided. |                                 |          |         |   |                                     |         |         |          |    |         |  |  |          |  |  |
| 100 kWh per month provided for 2008/09 to registered indigents only   |                                 |          |         |   |                                     |         |         |          |    |         |  |  |          |  |  |
| Type and number of grants and subsidies received:   |                                 |          |         |   |                                     |         |         |          |    |         |  |  |          |  |  |
| MIG   | 8065 houses to be electrified   | R 25,000 | R11 500 | 1609 new streetlights, refurbished 480 streetlights and 30 high mast lights | R19 200                             |         |         |          |    |         | 1797 new streetlight s, 54 high mast lights and retrofitted 16014 streetlight s                  | 50 300   |          |  |  |
| DME   | 11,500 houses to be electrified | R 28,600 | 11 250  | R45 000   | 3375 houses electrified             | R13 500 |         |          |    |         | Bulk services included 1 new substation, upgrades of 1 substation and strengthening 11kv network | 4599 houses provided with connection bulk services including 1new substation | 126 000  |  |  |

| Statistical Information | 2006/07 |          |    | 2007/08  |    |          | 2008/09 |          |    | 2009/10  |    |          | 2010/11 |          |  |
|-------------------------|---------|----------|----|----------|----|----------|---------|----------|----|----------|----|----------|---------|----------|--|
|                         | No      | R (000s) | No | R (000s) | No | R (000s) | No      | R (000s) | No | R (000s) | No | R (000s) | No      | R (000s) |  |
|                         |         |          |    |          |    |          |         |          |    |          |    |          |         |          |  |
|                         |         |          |    |          |    |          |         |          |    |          |    |          |         |          |  |

Note: Total value of specific electricity grants actually received during the year to be recorded over the five quarters – Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year

| Total operating cost of electricity distribution function | R         | DATA NOT AVAILABLE | R         | R | 3 495 |  |  |
|---|-----------|--------------------|-----------|---|-------|--|--|
|   | 2,486,429 |                    | 2,646,710 |   | 736   |  |  |

#### 5.4 WATER AND SANITATION

The Water and Sanitation Division aims to be –

- a competent and efficient institution that satisfies the water service needs of the city of Tshwane and its communities – a leading service provider;
- a self-sustainable water service entity to ensure a better life for all;
- a sufficient self-sustainable and independent institution fully managed and enabled to provide excellent water services by using all resources and technologies available in an effective and efficient manner, resulting in customer satisfaction;
- a nationally and internationally acclaimed water service provider, par excellence, in terms of cost effectiveness, health and customer satisfaction; and
- an effectively and efficiently managed and maintained water and sanitation system required for an acclaimed African capital city, which connects activities in a sustainable manner so that businesses and communities prosper in a safe and sustainable environment.

## FUNCTIONAL ANALYSIS

### Analysis of the function

| Number and cost to employer of all personnel associated with the water distribution function:                       | 2006/07 |           | 2007/08 |             | 2008/09            |             | 2009/10 |             | 2010/11 |             |
|---|---------|-----------|---------|-------------|--------------------|-------------|---------|-------------|---------|-------------|
|   | No.     | R (000's) | No.     | R (000s)    | No.                | R (000s)    | No.     | R (000s)    | No.     | R (000s)    |
| - Professional (Engineers/Consultants)  | 22      |           | 79      |             | 93                 |             | 98      |             | 102     |             |
| - Field (Supervisors/Foremen)   | 17      |           | 168     | 156,478,280 | 180                | 225,342,387 | 184     | 254,486,520 | 183     |             |
| - Office (Clerical/Administration)  | 15      |           | 51      |             | 52                 |             | 51      |             | 64      |             |
| - Non-professional (Blue-collar, outside workforce)   | 274     |           | 501     |             | 487                |             | 659     |             | 728     |             |
| - Temporary (Opex)  | 4       |           | 153     |             | 48 (Agency)        |             | 52      |             | 0       |             |
| - Contract (Capex)  | 3       |           | 5       | 3,079,039   | 159 (COT contract) | 3,325,362   | 148     | 3,694,800   | 0       |             |
| Note: Total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package | 335     |           | 957     | 159,557,319 | 1019               | 228,667,749 | 1,192   | 258,181,320 |         | 297,628,410 |

All employment agency personnel and contract employees were absorbed into the City of Tshwane structure with effect from February 2011, as a result, the table above will indicate zero for the 2010/11 financial year.

### c. Level and Standard of Service

Tshwane's water is supplied from its own as well as external sources. The external sources are Rand Water and Magalies Water, which in total supply 76 % of Tshwane's water. The City of Tshwane supplies the remaining 24% from its own water treatment plants, dams, boreholes and springs. The table below gives a regional summary of the City of Tshwane's water supply assets such as reservoirs, water towers, pumping stations and water pipelines.

| Water supply infrastructure         |                     | REGION IN TSHWANE |                 |           |            |            |                    |           |
|-------------------------------------|---------------------|-------------------|-----------------|-----------|------------|------------|--------------------|-----------|
|                                     |                     | Southern          | Central Western | Eastern   | North East | North West | Outside of Tshwane | Total     |
| Reservoirs                          | Number              | 23                | 32              | 33        | 19         | 24         | 2                  | 133       |
|                                     | Total capacity (kℓ) | 206 350           | 587 751         | 427 655   | 130 508    | 324 575    | 15 000             | 1 691 659 |
| Water towers                        | Number              | 8                 | 1               | 5         | 7          | 4          | 3                  | 31        |
|                                     | Total capacity (kℓ) | 3 742             | 0               | 1 797     | 2 680      | 1 336      | 868                | 11 291    |
| Pumping installations               | Number of pumps     | 35                | 12              | 42        | 36         | 8          | 11                 | 144       |
| Pipelines (Bulk and network)        | Length (m)          | 1 505 783         | 1 365 457       | 2 287 064 | 1 409 079  | 2 463 232  | 307 851            | 9 338 466 |
| Pipeline networks                   | Length (m)          | 1 390 702         | 1 236 956       | 2 113 615 | 1 270 136  | 2 391 394  | 197 873            | 8 600 676 |
| Pipelines: bulk                     | Length (m)          | 115 081           | 128 501         | 173 449   | 138 943    | 71 838     | 109 978            | 737 790   |
| Pipelines: bulk (External supplier) | Length (m)          | 0                 | 0               | 9 923     | 1 320      | 30         | 14 218             | 25 491    |

(Source: IMQS July 2011)

| Bulk Water Sources              | MI per annum (06/07) | MI per annum (07/08) | MI per annum (08/09) | MI per annum (09/10) | MI per annum (10/11) |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Rand Water (Internal unit)      | 193 087              | 178 850              | 171 185              | 183 933              | 211 402              |
| Rand Water (SWA)                | 24 156               | 17 520               | 17 520               | 18 154               | 18 123               |
| Magalies Water (Klipdrift)      | 8 908                | 1 825                | 1 825                | 2 896                | 2 871                |
| Temba WTP (Leeukraal Dam)       | 17 333               | 9 855                | 16 790               | 18 388               | 19 263               |
| Roodeplaat WTP (Roodeplaat Dam) | 17 483               | 16 060               | 20 440               | 15 751               | 14 491               |
| Rietvlei WTP (Rietvlei Dam)     | 14 231               | 13 505               | 15 695               | 13 520               | 13 252               |
| Springs and boreholes           | 22 885               | 23 360               | 19 345               | 26 563               | 32 768               |
| <b>TOTAL</b>                    | <b>298 083</b>       | <b>260 975</b>       | <b>262 800</b>       | <b>279 205</b>       | <b>312 170</b>       |

(Source: IMQS July 2011)

A large part of these assets serves the original Pretoria-Mamelodi-Atteridgeville areas in western-central-eastern Tshwane. The population and increase in demand and developments are, however, concentrated in the northern areas of Odi, Soshanguve and Temba.

More infrastructure will be required in these areas. The Pretoria-Mamelodi-Atteridgeville areas have a lot of storage capacity, whereas the northern and southern areas require more. The City of Tshwane has a huge water and sanitation infrastructure. It is therefore imperative that the existing infrastructure be operated and maintained in an effective and efficient manner.

Similar to the water supply system, the waste water system consists of a bulk system and an internal collector system, both of which are the property of the City of Tshwane. Waste water is discharged to ten waste water treatment works with a combined capacity of 547 m³ per day through approximately 342 km of bulk outfall sewers. The following tables provide a summary of the waste water treatment works and the sewer system:

CAPACITY OF THE CITY OF TSHWANE'S WASTE WATER TREATMENT WORKS

| Region             | Waste water treatment works | Discharge into stream or river | Capacity     |            | 2009/10             |                         |                    | 2010/11             |                         |              |
|--------------------|-----------------------------|--------------------------------|--------------|------------|---------------------|-------------------------|--------------------|---------------------|-------------------------|--------------|
|                    |                             |                                | m³/day       | %          | Flow (m³/day) ADDWF | Spare capacity (m³/day) | Flow (m³/day) AADF | Flow (m³/day) ADDWF | Spare capacity (m³/day) |              |
| Southern           | Sunderland Ridge            | Hennops                        | 65           | 8,5        | 60,3                | 57,2                    | -12,2              | 67,5                | 63,1                    | 1,9          |
| Central Western    | Daspoort                    | Apies                          | 55           | 10,5       | 39,8                | 37,4                    | 17,6               | 36,5                | 33,4                    | 21,6         |
| North East         | Rooiwal                     | Apies                          | 220          | 41,7       | 210,0               | 180                     | 40                 | 215,3               | 188,5                   | 31,5         |
|                    | Temba                       | Apies                          | 12,5         | 2,4        | 9,1                 | 7,5                     | 5                  | 9,5                 | 7,9                     | 4,6          |
|                    | Babelegi                    | Apies                          | 4,7          | 0,9        | 1,9                 | 1,6                     | 3,1                | 1,8                 | 1,8                     | 2,9          |
| Eastern            | Baviaanspoort               | Pienaars                       | 58           | 11         | 51,6                | 45,4                    | 12,6               | 52,8                | 47,1                    | 10,9         |
| North West         | Sandspruit                  | Tolwane                        | 20           | 3,8        | 10,6                | 8,4                     | 11,6               | 10,9                | 10,0                    | 10,0         |
|                    | Klipgat                     | Tolwane                        | 55           | 10,5       | 38,2                | 32,0                    | 23                 | 39,7                | 32,5                    | 22,5         |
|                    | Rietgat                     | Soutpan                        | 27           | 5          | 21,2                | 15,3                    | 11,7               | 18,7                | 15,0                    | 12,0         |
| Outside of Tshwane | Zeekoegat                   | Pienaars                       | 30           | 5,7        | 50,2                | 45,9                    | -15,9              | 50,3                | 47,9                    | -17,9        |
| <b>TOTAL</b>       |                             |                                | <b>527,2</b> | <b>100</b> | <b>492,9</b>        | <b>430,7</b>            | <b>96,5</b>        | <b>502,9</b>        | <b>447,2</b>            | <b>100,0</b> |

(Source: IMQS July 2011)

CAPACITY OF THE CITY OF TSHWANE'S SEWER SYSTEM

| Sewer infrastructure |            | Region in Tshwane |                 |           |            |            |           |
|----------------------|------------|-------------------|-----------------|-----------|------------|------------|-----------|
|                      |            | Southern          | Central Western | Eastern   | North East | North West | Total     |
| Pump stations        | Number     | 32                | 8               | 5         | 13         | 8          | 55        |
| Manholes             | Number     | 26 030            | 17 357          | 38 202    | 11 858     | 35 221     | 128 668   |
| Pipelines (Total)    | Length (m) | 1 483 631         | 1 136 106       | 2 461 631 | 703 706    | 1 899 349  | 7 713 423 |
| Pipelines: network   | Length (m) | 1 257 772         | 879 740         | 1 896 521 | 507 307    | 1 603 392  | 6 144 732 |
| Pipelines: collector | Length (m) | 177 519           | 202 968         | 232 085   | 404 442    | 209 526    | 1 226 540 |
| Pipelines: bulk      | Length (m) | 48 340            | 53 398          | 62 025    | 91 957     | 86 431     | 342 151   |

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(Source: IMQS July 2011)

## **5.5 HOUSING AND SUSTAINABLE HUMAN SETTLEMENT**

This department provides a broad range of housing activities, on an on-going basis, within the City of Tshwane's area of jurisdiction.

Its functions include the role of "developer". It does, however, not include the management of the entire subsidised housing programme for Tshwane which is performed by the Provincial Department of Local Government and Housing. The Municipality has a mandate to fulfil the role of a developer and implement all provincially approved subsidised housing projects.

Furthermore, in striving towards the development of sustainable human settlements, the Housing and Human Settlements Department realised that urban cores must be developed as centres for the clustering of social facilities to provide services to surrounding communities. Densification in the Housing Provision Strategy includes the reduction of urban sprawl, reduction of expenditure on bulk and link services, densification and integration of the city, improvement of the socio-economic situation of the poor, optimising the use of available land and the improved use of public transport services. This entails the following initiatives:

- High-density housing in the inner city, within a 5 km radius, with high levels of services to be provided
- Medium-density housing around the inner city, within a 20 km radius, with high levels of services to be provided to all units
- Low-density housing on the periphery of the city, within a 20 km radius, with high levels of services for private development and intermediate levels of services

The Department is responsible for the provisioning of adequate housing opportunities for all residents of Tshwane and performs the following functions:

- Rental housing administration
- The Community Residential Unit (CRU) Programme (Hostel redevelopment)
- Sales, transfers and beneficiary administration
- Informal settlement management
- Institutional housing facilitation
- Community participatory management
- Consumer education
- Demand database administration
- Housing provision project management
- Formalisation

The strategic objectives of the Housing and Sustainable Development Department are to –

- manage informal settlements in order to limit the growth of the existing housing backlog;
- perform a community liaison function to ensure that development is informed by and meets the needs of the target communities;
- provide low-cost housing opportunities for households earning less than R7 500 a month;
- provide quality basic services and infrastructure;
- de-stigmatise hostels through the CRU Programme;
- provide a wide range of rental housing options;
- transfer municipal-owned rental properties to beneficiaries through the discount benefit scheme;
- run an effective housing subsidy system (demand data base, beneficiary administration system) and a consumer education programme;
- empower communities through housing support centres that will educate them on the importance of saving;
- facilitate the provision of institutional housing opportunities to integrate and densify the city;
- identify sites for new subsidised housing projects, source subsidy funding from the provincial government and implement the projects; and
- provide a service for all landlords and tenants through the Rental Housing Tribunal Information Offices.

## KEY ISSUES

The following were the key issues for the 2010/11 financial year:

- Providing on-line information on the National Home Builders Registration Council (NHBRC) requirements, the landlord and tenant tribunal process and housing subsidy
- Running a consumer education programme
- Providing housing opportunities for the low-income families of Tshwane, including affordable rental accommodation
- Land identification and acquisition
- Setting up labour-based construction projects to create employment opportunities for the unemployed within Tshwane
- Providing shelter for the homeless
- Promoting staff development
- Financial management
- Implementing the Informal Settlement Management Plan – this has been regarded as a benchmark for the Gauteng Province
- Providing clean water, through water tankers and JoJo tankers, to informal settlement communities

- Providing chemical toilets at certain informal settlements
- Twenty prioritised township programmes in Mamelodi, Atteridgeville and Soshanguve

Accreditation funding was paid over and used as stipulated in the enhanced business plan.

## **ACCREDITATION**

The City was awarded Level 1 and 2 accreditation on 4 March 2011. This achievement will ensure that the City takes control of all matters related to beneficiary administration and the allocation of housing opportunities. Furthermore, the City will manage the housing programmes for various projects. The City's accreditation has resulted in the allocation of over R800 million of the Urban Settlement Development Grant (USDG) for the 2011/12 financial year.

## **HOUSING SALES, TRANSFERS AND BENEFICIARY ADMINISTRATION SECTION**

### **RENTAL AND INSTITUTIONAL ADMINISTRATION**

#### **Goals and objectives**

- To ensure that only qualifying applicants are registered on the waiting list
- To ensure that applicants on the rental waiting list are allocated suitable and affordable rental accommodation
- To strive for the establishment of sustainable communities
- To render a maintenance service in an efficient and cost-effective manner
- To render an efficient and cost-effective cleaning service
- To provide an information service on behalf of the Gauteng Rental Housing Tribunal

#### **SCOPE OF THE RENTAL ACCOMMODATION**

##### **Housing for the self-sufficient elderly**

- 331 double units
- 108 single units

##### **Houses**

- 1121 houses

##### **Flats**

- 857 flats

##### **Shelter**

- Overnight accommodation for 200-300 people

#### Hostels

- Saulsville
- Soshanguve
- Belle Ombre
- Mamelodi
- Kingsley

## Analysis of the function

### HOUSING AND HUMAN SETTLEMENTS

| Description   | 2006/07         |               | 2007/08         |                     | 2008/09        |             | 2009/10 |  | 2010/11                 |            |
|---|-----------------|---------------|-----------------|---------------------|----------------|-------------|---------|--|-------------------------|------------|
|   | Total           | R             | Total           | R                   | Total          | R           | Total   | R  | Total                   | R          |
| Number and cost of all personnel associated with the provision of municipal housing | 280             | 41 543 861    | 320             | 58 178 195          | 298            | 60 715 882  | 255     | 68,174,264,00                                    | 274                     | 77 363 946 |
| - Senior management (General manager, managers)                                     | 5               | 3 058 859     | 3               | 3 127 630           | 5              | 4 472 926   | 9       | 6 641 211  | 9                       | 7 451 921  |
| - Management (Deputy managers, chiefs, assistant managers)                          | 7               | 3 410 689     | 6               | 3 020 950           | 14             | 8 108 589   | 17      | 9 654 084  | 18                      | 10 936 770 |
| - Professional (Architects, consultants, project managers, etc)                     | 15              | 4 862 095     | 14              | 5 703 544           | 33             | 17 398 817  | 35      | 17 096 383                                       | 36                      | 19 148 482 |
| - Office (Clerical, administration, secretarial, etc)                               | 110             | 21 538 609    | 129             | 27 405 866          | 103            | 18 459 590  | 99      | 26 709 664                                       | 100                     | 28 209 666 |
| - Non-professional (Drivers, workshop assistants, etc)                              | 143             | 6 678 609     | 9               | 2 328 761           | 6              | 1 450 707   | 2       | 361 610  |                         |            |
| - Workers   | 113             | 8 245 550     | 123             | 14 501 500          | 102            | 9 514 853   | 93      | 5 545 230  | 93                      | 7 413 084  |
| - Temporary   | 36              | 1 326 000     | 36              | 2 089 944           | -              | -           | -       | -  | 18                      | 1 465 136  |
| - Contract  | Not available   | Not available | Not available   | Not available       | 35             | 1 310 400   | 24      | 2 166 082  | 18                      |            |
| <b>Number and total value of housing projects planned:</b>                          |                 |               |                 |                     |                |             |         |  |                         |            |
| The 2010/11 financial year  |                 |               |                 |                     |                |             |         |  |                         |            |
| Serviced stands   | 12000           | 168 000 000   | 12 000          | 191 904 000         | 3650           | 192 720 739 | R1300   | R29m   |                         |            |
| Top structures  | 6000            | 112 800 000   | 6 152           | 184 363 136         | 1566           | 134 994 361 | 419     | 58,967,350,00                                    |                         |            |
| Serviced stands   | 150 052         | 2 255 131 508 | 58 460          | 794 950 368         | 58460          | 794 950 368 | 852     | R19m   |                         |            |
| Top structures  | 160 052         | 3 440 957 948 | 26 899          | 888 373 136         | 26899          | 888 373 136 | 9630    | R527m  |                         |            |
| Total of type, number and value of housing provided (20/01/2011)                    |                 |               |                 |                     |                |             |         |  |                         |            |
| - Residential stands serviced   | Water<br>19 256 | 156,609,579   | Water<br>12 000 | 35 978 806          | Water<br>3 276 | 40 497 555  | 813     | R35, 211,147<br>(Bulk services included)         |                         |            |
|   | Sewer<br>19 376 |               | Sewer<br>12 006 | Sewer<br>28 359 221 | Sewer<br>3650  | 39819676    | 852     | Sewer<br>R10,688,742<br>(Bulk services included) |                         |            |
|   |                 |               |                 |                     |                |             |         | Roads<br>R41,676,398                             |                         |            |
|   |                 |               |                 |                     |                |             |         |  | Water<br>R29 999 998,51 |            |
|   |                 |               |                 |                     |                |             |         |  | Sewer<br>R29 999 998,04 |            |
|   |                 |               |                 |                     |                |             |         |  | Roads<br>R17 999 998    |            |

| Description   | 2006/07   |               | 2007/08  |   | 2008/09   |  | 2009/10   |   | 2010/11   |   |
|---|---|---------------|--|---|---|--|---|---|---|---|
|   | Total   | R             | Total  | R   | Total   | R  | Total   | R   | Total   | R   |
| - Low-cost housing top structures   | PRTs = 1,725<br>City of Tshwane = 5,884<br>7,609                                | 133,162,615   | PRTs = 5<br>810<br>City of Tshwane 6,152<br>11,962                         | 125 175 979   | City of Tshwane 1566  | City of Tshwane 134 994 361                              | 419   | Top structures R0,00<br>(Funds were not Gazetted in terms of Dora, they were taken off from budget) | Top structures R0,00<br>(Funds were not Gazetted in terms of Dora, they were taken off from budget) | Top structures R0,00<br>(Funds were not Gazetted in terms of Dora, they were taken off from budget) |
| - Hostels redeveloped (ie number of family units developed)                                       | 360   | 35 629 314    | 0<br>completed – still under construction                                  | 21 645 142  | 0<br>completed (Saulsville) – 129<br>(Mamelodi) under constructio | 2085917<br>(Saulsville)<br>17677299<br>(Mamelodi)        | 104 units in Saulsville and 56 units in Mamelodi are 99% complete | 104 units in Saulsville and 56 units in Mamelodi are 99% complete                                   | 104 units in Saulsville and 56 units in Mamelodi are 99% complete                                   | 104 units in Saulsville and 56 units in Mamelodi are 99% complete                                   |
| - Rental units available (No new units developed)   | 2312  | Not available | 2312   | Not available   | 2423  | -  | 2423  | -   | -   | -   |
| - Rental units in Schubart Park and Kruger Park   | 1134  | Not available | 1134   | Not available   | 813 (321 vacant at Kruger Park)                                   | 19217290   | 813 (321 vacant at Kruger Park)                                   | -   | -   | -   |
| - Institutional housing units Planning process (Private funds)                                    | Planning and design<br>HCT = 767<br>Units<br>Yeast = 460 units                  |               | 2705 units Townlands = 767<br>Absa Olievenhout bosch = 1263<br>Yeast = 675 | Units still in planning phase – awaiting funding                  | 2705 units  | -  | 2705 units  | -   | -   | -   |
| Total number and value of rental received from Municipality-owned rental units                    | A total of 53,98% was received from all units (flats, houses, etc – 2312 units) | 5 919 478     | 49,5%  | Accumulative income R6 057 479<br>Projected Income R12 218 197,00 | 46,6% income received   | Actual income R6 182 115<br>Projected income R13 256 736 | 55,05% income received  | Actual income R10 252 121<br>Projected income R20 318 827   | 55,05% income received  | Actual income R10 252 121<br>Projected income R20 318 827   |
| Estimated backlog in number of housing units (and cost to build them)                             |   |               |  |   |   |  |   |   |   |   |
| From aerial photographs taken during February 2005 and counted in March 2005 (Number of families) | 133 811   | 4 873 530 431 | 133 811  | 6 021 495 000   | 133 811   | 7 312 771 150  | Not available   | 120 000   | 8 960 747 056,78  | 120 000   |

| Description   | 2006/07   |   |   | 2007/08   |   |                     | 2008/09  |                            |  | 2009/10                  |                          |                          | 2010/11   |   |  |
|---|---|---|---|---|---|---------------------|--|----------------------------|--|--------------------------|--------------------------|--------------------------|-----------|---|--|
|   | Total   | R | Total   | R   | Total   | R                   | Total  | R                          | Total  | R                        | Total                    | R                        | Total     | R |  |
| Type and number of grants and subsidies received:   |   |   |   |   |   |                     |  |                            |  |                          |                          |                          |           |   |  |
| Top Structures Services   | 71 475,510,00<br>85,129,903,21<br>156,605,4113,21 |   | Services and top structures MIG   | Gauteng Services<br>R21 172<br>616,76<br>Houses<br>R102 801<br>928,00<br>MIG<br>R1 855<br>333,00<br>North West Houses<br>R49 385<br>832,72<br>Total<br>R175 215<br>710,40 | Top Structure<br>Services<br>R132 393 135<br>R136 182 561 |                     | Social Dev Mamelodi Community Centre<br>MIG Services Top structures<br>Not included in Gauteng | R13,097,590<br>R15,971,200 | Gauteng Services<br>Top structures<br>North West Top structures<br>Not included in Gauteng | 93 637<br>114 965<br>433 | 93 637<br>114 965<br>433 | 93 637<br>114 965<br>433 | 6 073 234 |   |  |
| - Hostel redevelopment (July 2009 to June 2010) 56 received   | 360   |   | Saulsville hostels<br>8,835,000<br>Mamelodi hostels<br>3,336,802                                      | 240   | Saulsville Hostels<br>0,00<br>Mamelodi Hostels<br>0,00    | 190                 | Saulsville<br>R2 951 100<br>Mamelodi<br>R3 279 000   | 56 units at 99% completion | GDI GH Mamelodi hostels<br>R8,744,000,00   | Saulsville               | 10 252<br>935            |                          |           |   |  |
| - Gauteng Provincial Government (Subsidies allocated directly to a regional professional team, ie not provided for on the City of Tshwane budget) |   |   | Services<br>R246 066 677<br>Houses<br>R104 977 396<br>Hostels<br>R16 960 000<br>Total<br>R368 004 075 | 0   | 0   | Top structures only | R717 400 000   | Not available              | Not available  |                          |                          |                          |           |   |  |
| Total operating cost of housing function (total from medium-term budget 2008/09)  |   |   |   | R130 636 568<br>(Excluding top structures)  | -   | R252 444<br>599,48  | -  | R278 050<br>095,82         | -  | R153,656,369,0<br>0      | 351 026<br>548           |                          |           |   |  |

## 5.6 AGRICULTURE AND ENVIRONMENTAL MANAGEMENT

The Agriculture and Environmental Management Department ensures a cleaner city and is responsible for ensuring that Tshwane residents have access to parks, landscaped public facilities, nature reserves, resorts and swimming pools. These should be safe, adequately maintained aesthetic open spaces. The Department is also responsible for the aesthetical burial of the dead and the maintenance of cemeteries.

The City of Tshwane has approved an Integrated Agricultural Development Policy as part of its contribution towards the progressive realisation of the right to food approach, as enshrined in Section 17(1)(b) of the Constitution. This development has strategically placed the City of Tshwane as the first metropolitan city to have a dedicated an Agricultural Management Division to institutionalise peri-urban and urban agriculture to reduce the impact of food security through the promotion of food production.

### **Tshwane Fresh Produce Market**

This is a central marketing distribution system primarily for the communities of Tshwane and secondly, for the rest of South Africa. In the execution of its role as the central distribution system for the City of Tshwane, the Tshwane Fresh Produce Market strives to improve food safety and security by attracting fresh produce to the market and regularly testing the fresh produce. It also provides infrastructure and services to satisfy the needs of the market users who ultimately contribute to the economic growth of the city and creation of jobs.

The Waste Management Section ensures that the collection, transportation and disposal of waste is conducted in an environmentally friendly and economical way.

The Waste Management Division's core functions are –

- to manage the landfill site and vacant stands;
- waste services, promotion and auditing;
- waste collection, removal, fleet management and bulk containers;
- public cleansing; and
- technical support services.

## Environmental Management

The mission of the Environmental Management Division is to promote ecological integrity through the protection, use and enhancement of natural and open space resources by integrating environmental considerations into the sustained management and development of our city.

The core functions of the Environmental Management Division are –

- Parks, Horticulture and Cemetery Services;
- Open Space Management;
- Nature Conservation and Resorts; and
- Environmental Policy and Resource Management.

It is well positioned to deal with the dual aspect of both social and infrastructural development in the region of Tshwane. The staff takes both the environmental and agricultural tasks to heart. Working together with our communities, the Department is ready to play a leading role in service delivery resulting in an improved quality of life for all – *We clean, we green, we grow.*

## Analysis of the function

| Details  |       | 2005/06           |       | 2006/07           |       | 2007/08           |       | 2008/09       |                | 2009/10           |                | 2010/11             |                |
|--|-------|-------------------|-------|-------------------|-------|-------------------|-------|---------------|----------------|-------------------|----------------|---------------------|----------------|
|  | Total | R                 | Total | R                 | Total | R                 | Total | R             | Total          | R                 | Total          | R                   |                |
| Number of staff associated with the Office of the Strategic Executive Director |       |                   |       |                   |       |                   |       |               |                |                   |                |                     |                |
| Total operating cost of function:  |       |                   |       |                   |       |                   |       |               |                |                   |                |                     |                |
| Details  |       | 2005/06           |       | 2006/07           |       | 2007/08           |       | 2008/09       |                | 2009/10           |                | 2010/11             |                |
|  | Total | R                 | Total | R                 | Total | R                 | Total | R             | Total          | R                 | Total          | R                   |                |
| Number of staff associated with Agricultural Management                        |       | n/a               |       | n/a               |       | n/a               |       | 6             | R 3,599,328.22 | 7                 | R 3,298,334.81 | 7                   | R 4,067,741.00 |
| Total operating cost of function:  |       |                   |       |                   |       |                   |       |               |                |                   |                |                     |                |
| Details  |       | 2005/06           |       | 2006/07           |       | 2007/08           |       | 2008/09       |                | 2009/10           |                | 2010/11             |                |
|  | Total | R                 | Total | R                 | Total | R                 | Total | R             | Total          | R                 | Total          | R                   |                |
| Number of staff associated with Agricultural Management                        | 161   | R25 332<br>238    | 170   | R28 185<br>832    | 177   | R31 370<br>734    | 176   | R34 115 230   | 177            | R38 304<br>223    | 172            | R 40,704,740.0<br>0 |                |
| Total operating cost of function (Salaries and expenditure):                   |       | 36,697.1<br>28.70 |       | 44,010.18<br>5.04 |       | 51,341.1<br>81.71 |       | 53,771,718.58 |                | 59,271,98<br>6.51 |                | 60,275,279.7<br>8   |                |

### Analysis of the function

| Details  | 2005/06    |            | 2006/07    |            | 2007/08    |             | 2008/09       |                | 2009/10 |                | 2010/11 |                  |
|--|------------|------------|------------|------------|------------|-------------|---------------|----------------|---------|----------------|---------|------------------|
|  | Total      | R          | Total      | R          | Total      | R           | Total         | R              | Total   | R              | Total   | R                |
| Number of staff associated with the Office of the Executive Director   |            |            |            |            |            |             |               |                |         |                |         |                  |
| Number of staff associated with Cemetery Services and their cost to the Municipality                             | 35         | 6 419 315  | 35         | 6 419 315  | 35         | 7 484 000   |               | 7 048 034,12   | 28      | 7 237 708,08   | 47      | R 9,801,587,32   |
| Total operating cost of Cemetery Services:   | 632        | 916 000    | 294        | 1212 973   | 218        | 378 600,00  |               | 26 068 007     |         | 7 237 708,08   |         |                  |
| Number of staff associated with Parks and Horticultural Services and their cost to the Municipality:             | 1049       | 13 367 695 | 1053       | 13 767 695 | 1467       | 80,116,824  | 937           | 121,347,249,78 | 2433    | 172,535,330,56 | 1693    | R 213,917,766,32 |
| Total operating cost of Parks and Horticultural Services function:   | 147 606    | 149 835    | 719        | 887        |            | 149,879,709 |               | 114 658 197,00 |         |                |         |                  |
| Number of staff associated with Nature Conservation and Resort Services and their cost to the Municipality:      | 467        | 9 109 951  | 474        | 9 789 717  | 561        | 23 519 455  | 168           | 25,581,298,48  | 154     | 24,632,546,77  | 465     | R 52,726,994,06  |
| Total operating cost of function   | 48 375 940 |            | 33 353 137 |            | 67 108 900 |             | 59 578 978,00 |                |         |                |         |                  |
| Number of staff associated with Environmental Policy and Resource Management and their cost to the Municipality: | 11         | 4 967 430  | 13         | 5 217 621  | 12         | 5 485 932   | 16            | 6,705,246,54   | 13      | 6,235,404,97   | 17      | R 7,976,592,88   |

| Details   | 2005/06   |   | 2006/07   |   | 2007/08      |   | 2008/09      |   | 2009/10 |              | 2010/11 |                |
|---|-----------|---|-----------|---|--------------|---|--------------|---|---------|--------------|---------|----------------|
|   | Total     | R | Total     | R | Total        | R | Total        | R | Total   | R            | Total   | R              |
| Total operating cost of function:   | 5 738 886 |   | 6 041 398 |   | 6 851 666,86 |   | 7 517 519    |   |         |              |         |                |
| Number of staff associated with Open Space Management and their cost to the Municipality: | n/a       |   | n/a       |   | n/a          |   | 4,966,505,32 |   | 10      | 3,897,231,95 | 11      | R 5,408,686,72 |
| Total operating cost of function:   |           |   |           |   |              |   | 2 851 570    |   |         |              |         |                |

## Waste management

### - Yearly landfill waste volumes received from 2001/02 to 2009/10

| SITE / 2007     | 2001/02 Ton      | 2002/03 Ton      | 2003/04 Ton      | 2004/05 Ton      | 2005/06 Ton      | 2006/07 Ton      | 2007/08 Ton      | 2008/09 Ton      | 2009/10 Ton      | 2010/11 Ton      |
|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Derdepoort      | 199 823          | 176 724          | 475 618          | 413 158          | 431 573          | 251 947          | 222 180          | 18 305           | 0                | 0                |
| Garskloof       | 551 459          | 229 080          | 695 481          | 315 366          | 267 721          | 233 730          | 134 082          | 215 017          | 304 326          | 398 567          |
| Ga-Rankuwa      | 146 467          | 112 356          | 79 009           | 42 248           | 96 077           | 126 961          | 152 138          | 156 405          | 108 221          | 161 231          |
| Hatherley       | 127 892          | 143 700          | 157 719          | 183 646          | 230 953          | 288 054          | 219 652          | 426 101          | 283 376          | 421 560          |
| Kwaggasrand     | 134 834          | 169 092          | 366 416          | 405 663          | 403 755          | 310 984          | 334 837          | 327 738          | 534 495          | 665 603          |
| Onderste poort  | 151 046          | 209 280          | 335 824          | 331 556          | 473 511          | 683 521          | 610 612          | 709 841          | 701 682          | 736 819          |
| Soshanguve      | 85 047           | 92 964           | 113 159          | 97 478           | 96 995           | 197 673          | 136 685          | 131 324          | 141 669          | 236 819          |
| Tembisa         | 154512           | 52 368           | 25 872           | 22 871           | 63 556           | 41 331           | 34 002           | 74 051           | 78 346           | 1117 059         |
| Valhalla        | 441 168          | 212 916          | 494 085          | 363 490          | 271 102          | 267 639          | 397 391          | 537 421          | 0                | 0                |
| <b>SUBTOTAL</b> | <b>1 992 248</b> | <b>1 398 480</b> | <b>2 743 183</b> | <b>2 175 476</b> | <b>2 335 243</b> | <b>2 401 840</b> | <b>2 241 594</b> | <b>2 596 202</b> | <b>2 142 151</b> | <b>2 727 690</b> |

| Details  | 2006/07                |              | 2007/08        |                   | 2008/09       |                    | 2009/10 |   | 2010/11             |   |
|--|------------------------|--------------|----------------|-------------------|---------------|--------------------|---------|---|---------------------|---|
|  | Total                  | R            | Total          | R                 | Total         | R                  | Total   | R | Total               | R |
| Number of staff associated with refuse removal and their cost to the Municipality: | n/a                    |              | R80 851<br>104 |                   | 544           | R<br>72,854,218,08 | 1933    |   | R<br>203,252,826,00 |   |
| Professional (Engineers, Consultants)  |                        | n/a          | n/a            |                   | 10            | R 5,020,161,70     | 6       |   | R 4,213,705,00      |   |
| Field (Supervisors/Foremen)  | 66                     | 4 827 622    | 66             | R5 118<br>279,32  | 50            | R<br>11,521,512,32 | 54      |   | R 8,213,102,84      |   |
| Office (Clerical/Administration)   | 65                     | 6 907 622    | 48             | R732<br>079,32    | 17            | R 3,623,272,46     | 21      |   | R 5,515,610,90      |   |
| Non-professional (Blue-collar, outside workforce)                                  | 457                    | 12 678 830   | 457            | 134 339<br>559,80 | 467           | R<br>52,689,271,60 | 432     |   | R 69,085,537,26     |   |
| - Temporary  |                        |              | n/a            | n/a               |               |                    | n/a     |   | n/a                 |   |
| - Contract   | 1206                   | 51 534 828   | 1206           | 54 626<br>017,68  | 1206          | R 2,516,769,00     | 1420    |   | R 116,224,810,00    |   |
| -Removed by Municipality at least once a week                                      | 731 552                | 8 818 416    | 746 698        | 46 305 816        | 756 062       |                    |         |   |                     |   |
| -Removed by Municipality less often  | 45 344                 | 9 500 474,80 | 40 000         | 2 480 000         | 43 800        | 9 176 976          |         |   |                     |   |
| -Own refuse dump   | Data not available     |              | n/a            |                   | 2,543 million |                    |         |   |                     |   |
| - Domestic/commercial  | 1 856 518 <sup>2</sup> | 36 877 564   | 2 476 906 t    | 45 912 410        | 896 419 t     |                    |         |   |                     |   |
| - Garden   | 657 252                | 6 390 198    | 651 648 t      | 6 126 816         | 662 653 t     |                    |         |   |                     |   |

2 Decrease due to recycling activities

| Details  | 2006/07            |   | 2007/08     |         | 2008/09    |      | 2009/10                          |   | 2010/11 |   |
|--|--------------------|---|-------------|---------|------------|------|----------------------------------|---|---------|---|
|  | Total              | R | Total       | R       | Total      | R    | Total                            | R | Total   | R |
| - Domestic/commercial                            | 9                  |   | 36 877 564  | 9       | 45 912 410 | 7    |                                  |   |         |   |
| - Garden   | 11                 |   | 6 390 193   | 11      | 6 126 816  |      | Transfer stations: 11            |   |         |   |
| Anticipated expansion of refuse removal service: | 734 868            |   | 746 698     |         | 756 062    |      |                                  |   |         |   |
|  | 13 078             |   | 11 830      |         | 9 364      |      |                                  |   |         |   |
| - Domestic/commercial<br>(Number of clients)     | 336 580            |   | 17 553 337  | 759 868 | 4 711 816  | 9268 |                                  |   |         |   |
| - Garden (Number of clients)                     | Data not available |   | n/a         |         |            |      | Data not available               |   |         |   |
| - Quantity (Number of households affected)       | 90 000             |   | 1 656 000   | 40 000  | 1 040 000  |      | 48 300 households (plastic bags) |   |         |   |
|  |                    |   |             |         |            |      | 73 000 households (skips)        |   |         |   |
| - Quantum (Value to each household)              |                    |   | 18 - 40     |         |            |      |                                  |   |         |   |
| Total operating cost of Waste Management Section |                    |   | 236 072 614 | 487     | 493 578    |      | R515 691 236,00                  |   |         |   |

## 5.7 ECONOMIC DEVELOPMENT AND CITY PLANNING

Local Economic Development's core business:

Enterprise Development:

- The Enterprise Development Section designs and implements programmes that promote the development and support of local enterprises that have the potential to grow and become nationally and even globally competitive. This Section consists of three units, namely Small, Medium and Micro Enterprises (SMMEs) Development and Support, Cooperatives Development as well as Support and Trade Development.

Trade, Industrial Development and Investment Facilitation:

- The Section's mandate is to facilitate trade, industrial development and investment in the city. The Section comprises of three interlinked functions, which are investment, trade promotions and industrial development.

Business Regulation and Compliance:

- The mandate of the Business Regulation and Compliance Section is to provide license or permit services within Tshwane and ensure compliance with the Business Act mandate. The Section has set itself the following objectives:
  - To ensure formal businesses are licensed,
  - To provide defined areas of trading for informal traders,
  - To review by-laws and policies,
  - To provide support to businesses and SMMEs and promote an environment that is conducive and thriving for trading, and
  - Infrastructure development – trading market stalls.

This Section conducts policy-oriented research on strategic sectors so as to measure the city's economic performance as well as manage the development and implementation of economic policies, procedures and strategies. The deliverable output of the Section is the provision of up-to-date and reliable statistics for effective economic planning or scenario planning for the Economic Development Department. The Section consists of two programmes: Policy, Procedures and Information Management as well as the Business and Economic Development Programme Management.

## TOURISM

| Core business (KPAs)  | Activities and focus  |
|---|---|
| To ensure sustainable and responsible tourism destination development     | <ul style="list-style-type: none"> <li>• Programmes that are implemented in a Public Private Partnership (PPP)</li> <li>• Creating an exhibitions platform for SMMEs</li> </ul>   |
| To provide Tourism Training and Skills Development Programmes             | <ul style="list-style-type: none"> <li>• Mentorship programme eg Adopt a Guesthouse</li> <li>• Community Skills Development programme/training</li> </ul>   |
| To ensure sustainable and responsible tourism product development         | <ul style="list-style-type: none"> <li>• Capital projects programme</li> <li>• Stakeholder management and joint planning with public and private sector (product and infrastructure)</li> </ul>   |
| To manage community tourism information centres                           | <ul style="list-style-type: none"> <li>• Collate and collect tourism information for dissemination (brochures and Tourism Information Offices)</li> </ul>   |
| Enhancement of tourism linkages and collaboration in the tourism industry | <ul style="list-style-type: none"> <li>• A collaboration in association: South African Tourism, Gauteng Tourism Association, Tourism Enterprise Programme, Tshwane Tourism Action Team</li> <li>• Regional Tourism Organisation</li> <li>• Tshwane Tourism Awards</li> <li>• Familiarisation tours</li> </ul> |
| To execute tourism trade promotions activities                            | <ul style="list-style-type: none"> <li>• International and Local Exhibitions programmes</li> <li>• Utilisation of media opportunities e.g. 2010 FWC</li> <li>• Advertising and electronic media (website and electronic newsletter)</li> </ul>  |
| Tourism Market Development  | <ul style="list-style-type: none"> <li>• South African Tourism Packaging Workshops</li> <li>• Sport Tourism Strategy</li> </ul>   |
| Tourism Channel Development   | <ul style="list-style-type: none"> <li>• South African Tourism Hosting programme</li> </ul>   |
| Management and Leadership   | <ul style="list-style-type: none"> <li>• Staff meetings, office administration, etc.</li> </ul>   |

## 5.8 CITY PLANNING

The City Planning Department was created with the vision to lead in integrated planning and maximise spatial efficiencies for optimal service delivery.

City Planning focuses on issues related to urban management and development. City planning provides spatial direction to public and private sectors, consisting of:

- Densification information and planning,
- Mobility frameworks and planning,
- Urban boundary and accessibility,
- Regional development planning and spatial development frameworks,
- Land use, outdoor advertising and building plan application submissions and processing ,
- Manage, compile and administer land use, outdoor advertising and building control processes,
- Implementation and compliance with legislation and by-laws (Town Planning and National Building regulations activities),
- Topocadastral and engineering surveying services, and
- Development of information centres.

### Building Control

| Total building plan applications received: type of building | Number | Construction area (m <sup>2</sup> ) |
|---|--------|-------------------------------------|
| Residential   | 5 689  | 757 973                             |
| Non residential   | 199    | 621 797                             |
| Additions and alterations                                   | 7 607  | 1 731 283                           |
| Total estimated costs (excl. land value)                    | 13 495 | 18 245 883 832                      |

| Total building plan applications received (per Region) | Number | Construction area (m <sup>2</sup> ) |
|--|--------|-------------------------------------|
| North West   | 4 761  | 1 491 586                           |
| North East   | 1 022  | 192 238                             |
| Central  | 1 961  | 236 494                             |
| East   | 2 441  | 523 496                             |
| South  | 3 310  | 667 240                             |
| Total  | 13 495 | 18 245 883 832                      |

| Total building plan applications approved (per Region) | Number | Construction value (R): excl. land value |
|--|--------|--|
| North West   | 2 898  | 1 378 702 500,00                         |
| North East   | 717    | 880 311 240,00                           |
| Central  | 1 679  | 952 678 390,00                           |
| East   | 1 687  | 1 689 022 925,00                         |
| South  | 2 710  | 3 464 094 655, 00                        |
| Total  | 9 691  | 8 364 809 710,00                         |

### Outdoor Advertising Management

Outdoor Advertising Management has the key function to provide for the regulation of outdoor advertising signs on, or visible from, all public spaces in the Tshwane Municipal Area. Advertising signs should in no way compromise the aesthetic environment of Tshwane.

| Description  | Application information | Total income generated                                  |
|--|-------------------------|---|
| Temporary signs approved for 2010/2011                       | 22 282                  | R288 180,22   |
| Street name signs applications for 2010/2011                 | 105                     | Income added to: Income from agreement signed 2010/2011 |
| Permanent signs applications for 2010/2011                   | 361                     | R2 916 041,82   |
| Bus advertising campaign applications received for 2010/2011 | 9                       | R492 470,00   |
| Revenue from agreements signed for 2010/2011                 |                         | R30 199 385,30  |

The numbers of the different types of signs surveyed are as follows:

- Billboards (all sizes); Custom-made billboards, Electronic signs' product replica's and three dimensional signs; Gantry signs: 158 signs,
- Service Facility Signs: 44 signs,
- On-premises Business Signs: 7 signs,
- Cellular phone Containers (in the road reserve): 17 signs, and
- Other types such as flat signs and construction wraps: 4 signs.

Waypoints of 230 GPS were logged; one for each sign that was surveyed at its exact position (correct within a 1 to 3 meter range) and 718 photos were taken of the surveyed signs.

## Geomatics

Geomatics ensures an up-to-date geospatial information service, together with an accurate cadastral and engineering surveying services up to 74 surveying projects have been attended to and finalised during the 2010/2011 financial year. A new set of aerial imaging for Tshwane is being obtained. Phase 2 will be finalised in 2011/2012, incorporating the extended Tshwane Municipal area.

## FUNCTIONAL ANALYSIS

### City Planning and Development Division and Building Control Section

|  |     | 2006/07 |     |       | 2007/8 |       |         | 2008/9 |     |         | 2009/10 |       |         | 2010/11 |   |  |
|--|-----|---------|-----|-------|--------|-------|---------|--------|-----|---------|---------|-------|---------|---------|---|--|
| Total  | R   | Total   | R   | Total | R      | Total | R       | Total  | R   | Total   | R       | Total | R       | Total   | R |  |
| Number of City Planning staff and their cost to the Municipality | 285 | 85 229  | 045 | 324   | 103    | 383   | 134 800 | 000    | 416 | 150 047 | 439     | 36 8  | 143 353 | 014     |   |  |
| Senior managerial (general manager, managers)                    | 7   | 4 332   | 116 | 8     | 6 712  | 29    | 20 347  | 371    | 26  | 17,972  | 1       | 7     | 2 225   | 753     |   |  |
| Managerial (deputy managers, chiefs, assistant managers)         | 38  | 18 632  | 901 | 54    | 25 822 | 37    | 21 305  | 964    | 47  | 26,305  | 7       | 43    | 25 992  | 277     |   |  |
| Professional (architects, consultants, project managers, etc)    | 151 | 48 662  | 593 | 125   | 46 338 | 167   | 67 732  | 346    | 172 | 69,709  | 4       | 12    | 56 464  | 672     |   |  |
| Field (supervisors, foremen)                                     | -   | -       |     |       |        |       |         |        |     |         |         |       |         |         |   |  |
| Office (clerical, administration, secretarial, etc)              | 76  | 11 905  | 929 | 116   | 22 045 | 106   | 21 152  | 277    | 158 | 31,790  | 0       | 15 4  | 33 464  | 026     |   |  |

|  |    | 2006/07 |       |       | 2007/08 |       |     | 2008/09 |       |       | 2009/10 |       |   | 2010/11 |     |  |
|--|----|---------|-------|-------|---------|-------|-----|---------|-------|-------|---------|-------|---|---------|-----|--|
| Total  | R  | Total   | R     | Total | R       | Total | R   | Total   | R     | Total | R       | Total | R | Total   | R   |  |
| Non-professional<br>(drivers, workshop<br>assistants, etc)                             | 16 | 1 695   | 21    | 4 073 | 13      | 2 647 | 934 | 13      | 2 753 | 85    | 15      | 3     | 1 | 431     | 722 |  |
| Non-professional<br>(clerical,<br>administrative)                                      |    |         |       |       |         |       |     |         |       |       |         |       |   |         |     |  |
| Temporary  | -  | -       |       |       |         |       |     |         |       |       |         |       |   |         |     |  |
| Contract   | 56 | 70      | 3 471 | 31    | 1 614   | 108   | 28  | 1 516   | 22    | 20    | 1       | 0     |   | 124     | 668 |  |
| Number of building<br>inspectors<br>employed and their<br>cost to the<br>Municipality: |    | 21      | 4 073 |       |         |       |     |         |       |       |         |       |   |         |     |  |
| Chief Building<br>Inspectors   | 6  | 1 582   | 6     | 1 727 | 4       | 1 209 | 4   | 1 719   | 1     | 4     | 1 856   | 714   |   |         |     |  |
| Building Inspectors  | 26 | 6 879   | 31    | 8 014 | 32      | 8 686 | 33  | 9 424   | 7     | 33    | 9 870   | 274   |   |         |     |  |
| Temporary  | 3  | 479 426 | 3     | 508   | 0       | 1     | 1   | 259,42  | 0     |       |         |       |   |         |     |  |

|   | 2006/07           |   |                      | 2007/8 |                         |   | 2008/9 |   |                         | 2009/10 |             |   | 2010/11          |   |         |
|---|-------------------|---|----------------------|--------|-------------------------|---|--------|---|-------------------------|---------|-------------|---|------------------|---|---------|
|   | Total             | R | Total                | R      | Total                   | R | Total  | R | Total                   | R       | Total       | R | Total            | R |         |
| Contracts   |                   |   | 6                    |        | 1 727<br>895.16         |   | 0      |   | 10                      |         | 697,13<br>4 |   | 5                |   | 376 452 |
| Details of building plans:                                |                   |   |                      |        |                         |   |        |   |                         |         |             |   |                  |   |         |
| Number of site development plans approved                 | 1 362             |   | 864                  |        | 765                     |   |        |   | 585                     |         |             |   | 589              |   |         |
| Number of building plans approved                         | 16 674            |   | 15 781               |        | 15 898                  |   |        |   | 12 180                  |         |             |   | 9 691            |   |         |
| Value of building plans approved                          | 10 431<br>463 000 |   | 14 468<br>188<br>450 |        | 12 184<br>970<br>200.00 |   |        |   | 10 724<br>582<br>480.00 |         |             |   | 8 364 809<br>710 |   |         |
| Number of building related inspections conducted          | 84 244            |   | 64244                |        | 53,689                  |   |        |   | 36,184                  |         |             |   | 38,954           |   |         |
| Number of contravention notices served (Building control) | 2 654             |   | 3213                 |        | 1588                    |   |        |   | 1090                    |         |             |   | 1370             |   |         |

|   | Total   | R | Total   | R | Total                        | R | Total                                 | R | Total  | R |
|---|---------|---|---------|---|------------------------------|---|---------------------------------------|---|--|---|
|   | 2006/07 |   | 2007/08 |   | 2008/09                      |   | 2009/10                               |   | 2010/11  |   |
| Number of occupation certificates issued.   | 11 167  |   | 11 192  |   | 7793                         |   | 4414                                  |   | 5205   |   |
| Number of land use related inspections conducted (Development compliance and enforcement) |         |   |         |   | 1525                         |   | 2569                                  |   | 2147   |   |
| Number of contravention notices served (in terms of land uses)                            |         |   |         |   | 515                          |   | 555                                   |   | 459  |   |
| Number of illegal outdoor advertising signs removed                                       |         |   |         |   |                              |   | 32308                                 |   | 31300  |   |
| Toponymy (applications street names)  |         |   |         |   | Backlog remaining<br>139,076 |   | Reduce d from<br>139,076 to<br>81,919 |   | Backlog increased to<br>107,585 (due to much greater |   |

| 2006/07 |   | 2007/8 |   | 2008/9 |   | 2009/10 |   | 2010/11   |   |
|---------|---|--------|---|--------|---|---------|---|---|---|
| Total   | R | Total  | R | Total  | R | Total   | R | Total   | R |
|         |   |        |   |        |   |         |   | amount<br>of<br>register-<br>ed and<br>unregis-<br>tered<br>erven,<br>put into<br>the<br>process,<br>as well<br>as due to<br>the<br>refine-<br>ment of the<br>audit<br>process) |   |

## **5.9 HEALTH and SOCIAL DEVELOPMENT**

The Health Act, 2003 (Act 61 of 2003) defines municipal health services as water quality monitoring, food safety, waste management, health surveillance of premises, control of communicable diseases, vector control, environmental pollution control and disposal of the dead and chemical safety.

The Health Services Division is responsible for:

- Primary health care services,
- Municipal health services,
- Pharmaceutical services, and
- Health programmes support

Key issues facing Environmental Health Services (MHS) are:

- Vagrants, the homeless, immigrants and asylum seekers,
- Dilapidated buildings in the city,
- Pollution of streams through waste and or illegal activities,
- Certain informal settlements not meeting minimum acceptable standards of hygiene and human habitation,
- Informal traders in the city not conforming to hygiene standards and food regulations,
- Animal care issues in some areas (especially in the Northern Areas) not complying to the by-laws,
- Vector Control complaints,
- Illegal dumping in some areas of Tshwane, particularly in some townships and suburbs,
- To extend the current services to the Metsweding area that has now become part of Tshwane,
- Atmospheric pollution activities such as the burning of tires, particularly in cold weather months,
- Insufficient public toilets in Tshwane and surrounding areas,
- Handling and disposal of Health Care Risk Waste (Medical Waste),
- Overgrown stands not well cared for,
- Illegal selling of raw milk and fish in some parts Tshwane,
- Illegal selling of scheduled pesticides/ chemicals in Tshwane, and
- Shortage of staff in line with the recommended national norms.

Key issues facing Primary Health Care Clinics are:

- Non filling of funded nursing and medical posts,
- Not enough funded nursing and medical posts in clinics to cope with the workload,
- Not enough consultation rooms in clinics to cope with the needs of the community, and
- The roll out of the Anti-retroviral programmes to all clinics demands a number of extra personnel and space.

### Functional Analysis PHC clinics

| Provide Statistical information PHC clinic services                                       | 200607 |               | 200708 |   | 200809                    |                       | 200910 |                       | 201011                   |                       |
|---|--------|---------------|--------|---|---------------------------|-----------------------|--------|-----------------------|--------------------------|-----------------------|
|   | Nr     | R in thousand | Nr     | R in thousand                                   | Nr                        | Total budget for year | Nr     | Total budget for year | Nr                       | Total budget for year |
| Number and cost to employer of all PHC personnel: include managers                        | 257    |               | 263    | 62719<br>(Budget does not include PHC managers) | 215<br>(Include Managers) | R 86,080,000          | 232    | R 90,142,828          | 185                      | R 80,350,436          |
| Professional (Doctors/Specialists) City of Tshwane and Gauteng DoH seconded staff         | 15     | 5000          | 15     | 5400  | 8                         | R 3,111,000           | 7      | R 3,076,001           | 15                       | R 6,140,000           |
| Professional (Nurses/Aides) City of Tshwane and GDoH seconded staff                       | 181    | 29000         | 182    | 31320   | 143                       | R 26,577,000          | 124    | R 26,041,743          | 135                      | R 27,577,000          |
| Para-professional (Clinic staff qualified) City of Tshwane                                | 24     | 5000          | 33     | 7425  | 33                        | R 8,019,000           | 32     | R 8,786,880           | 32                       | R 9,386,880           |
| Non-professional (Clinic staff unqualified - Admin Officers and cleaners) City of Tshwane | 34     | 4000          | 28     | 3557  | 31<br>(Exclude cleaners)  | R 4,254,000           | 50     | R 7,753,258           | 40<br>(include cleaners) | R 6,953,258           |

|  |         |     |   |     |   |  |                  |              |
|--|---------|-----|---|-----|---|--|------------------|--------------|
| Temporary  | 3       | R 0 | 2                                       | 160 | 0   |  | 0                | 0            |
| Contract   | 0       | 0   | 1                                       | 145 | 0   |  | 0                | 0            |
| Total operating cost<br>of health (clinic)<br>function | R79 mil |     | R85 403<br>515<br>(without<br>managers) |     | R<br>111,295,000<br>(Include<br>managers) |  | R<br>130,694,508 | R121,599,718 |
| Subsidy Gauteng  |         |     |   |     | R<br>25,926,201                           |  | R<br>27,024,000  | R29,000,000  |

## 5.10 COMMUNITY SAFETY

The Community Safety Department of the City of Tshwane focuses all its efforts on making Tshwane a city where the community can prosper in a safe and healthy environment. The department reflects a diversity of functions of a specialised nature and aims to ensure that all operational as well as governing activities and interventions are executed in an integrated manner while, addressing the safety needs of the community.

In its efforts to enhance personal safety as well as the safety of property, orderliness and respect for the law, the department centres on delivering the following functions as highlighted:

- **Pro-active Policing** is the division that renders a 24 hour policing service to the community. This division is decentralised and is aligned to the five regions of the City of Tshwane's Alternative Service Delivery structure. Regional Policing has three core functions namely: Crime Prevention, Road Policing and By-law Policing. The main focus is to ensure a safe and secure road environment and to reduce any causes and opportunities for any criminal activities, traffic and by-law contraventions.
- **Road Policing** centres on activities that reduce, deter or prevent the occurrence of all accidents by ensuring effective and efficient law enforcement. It also concentrates on the monitoring of relevant infrastructure as well as strategic interventions where and when necessary, and lastly it provides supportive traffic control services with the vision to secure a safe road environment on which the community can confidently travel without fear of damage, injury or death.

- **Crime Prevention** is defined in the White Paper on Safety and Security, 1998 as:

"All activities which reduce, deter or prevent the occurrence of specific crimes, firstly by altering the environment in which they occur, secondly by changing the conditions which are thought to cause them, and thirdly by providing a strong deterrent in the form of an effective Justice System." (Includes policing)

The nature, high incidence and distressing consequences of crime have resulted in it being regarded as a local and national issue and priority. The extent and effect of crime demands the attention of everyone. Government, institutions, organisations, business and social structures contribute to the addressing of crime. This, since crime results in and is a result of other social factors, including lack and/or stagnation in development, socio-economic strata, disrupted social order and a general decline in the quality of life. Aligned to the approach of Government, which requires "*the development of wider responsibility for crime prevention and a shift in emphasis from reactive "crime control", ... towards a proactive "crime prevention"*", the Community Safety Department has, over the past few years put in a great effort through its Social Crime Prevention, Environmental Design and Re-design Units as well as the Specialised Crime Prevention Operations comprising of Canine and Equestrian Units.

- **By-law Policing** of Tshwane has emerged as a catalyst for safety, security and order in the city. In line with the recommendations in the Tshwane Safer City Policy, by-law enforcement requires a coordinated effort from a wide range of officials with varying expertise. Further, strategic by-law policing is seen as a contributor to crime prevention, especially through the address of environmental factors that may be conducive towards crime. In order to give effect to the Safer City Policy, the City of Tshwane has a five-fold by-law policing strategy which prioritises the following:
  - The integration of by-law enforcement activities,
  - Standardisation of by-law enforcement processes,
  - Implementation of docket process,
  - Community involvement, and
  - A contemporary policing approach.

In order to implement the above, the Community Safety Department has established a By-law Enforcement Centre (BEC). The BEC is an integrated and accelerated service delivery model for by-law enforcement and it executes the following functions:

- Providing strategic direction in terms of by-law enforcement in the form of priorities, areas of focus etc. which are aligned with the strategic objectives of the City,
- The formulation of relevant policy and operational procedures to ensure uniformity in practices,
- The gathering, management, analysis and integration of city-wide information in terms of by-laws including complaints, investigations, actions etc,
- The planning, coordinating and execution of by-law enforcement operations,
- Monitoring and evaluation of by-law enforcement interventions,
- Creating a consciousness around the City's by-laws and their enforcement.

In order to standardise by-law enforcement processes within the city, the Community Safety Department has developed a By-law Policing Policy which will guide by-law enforcement practices in the city. Further integration and community involvement will be an ongoing priority to ensure that by-law policing will continue to improve its services.

## Analysis of function

| <b>Statistical Details</b>  | <b>Jul – Jun<br/>2006/7</b> | <b>Jul – Jun<br/>2007/8</b> | <b>Jul – Jun<br/>2008/9</b> | <b>Jul – Jun<br/>2009/10</b> | <b>Jul – Jun<br/>2010/11</b> |
|---|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Total number of call-outs attended fire brigade (fires):                    | 4 792                       | 3 541                       | 4 908                       | 4 306                        | 4 930                        |
| Average response time to call-outs fire brigade (fires):                    | X                           | X                           | 11,93min                    | 12,9min                      | 13,5min                      |
| Total number of call-outs attended rescue services:                         | 7 915                       | 7 988                       | 8 382                       | 6 926                        | 6 664                        |
| Average response time to call-outs rescue services                          | -                           | -                           | -                           | 9,7min                       | 9,9min                       |
| Total number of call-outs attended special services:                        | 652                         | 819                         | 1 073                       | 962                          | 1 240                        |
| Average response time to call-outs Special / Humanitarian services          | -                           | -                           | -                           | -                            | -                            |
| Total number and type of emergencies leading to a loss of life or disaster: | 12 639                      | 12 348                      | 14 363                      | 12 194                       | 12 834                       |
| Total number of call-outs attended fire brigade (fires):                    | 4 792                       | 3 541                       | 4 908                       | 4 306                        | 4 930                        |

| Statistical Details  | 2006/7 |                  | 2007/8 |                   | 2008/9 |                   | 2009/10 |                    | 2010/11 |  |
|--|--------|------------------|--------|-------------------|--------|-------------------|---------|--------------------|---------|--|
|  | Number | R '000           | Number | R '000            | Number | R '000            | Number  | R '000             | Number  | R '000   |
| Number and cost to employer of all personnel associated with policing and traffic control: |        |                  |        |                   |        |                   |         |                    |         |  |
| Professional (Senior Management)   | 14     | 1 388<br>304.60  | 14     | 11 060<br>340.66  | 10     | 2611266<br>.90    | 39      | 22,606,42<br>3.61  | 42      | 28,079,9<br>63.78  |
| Field (Detectives/Supervisors)   | 275    | 49 016<br>308    | 262    | 106 810<br>877.50 | 263    | 4996029<br>96.00  | 259     | 112,852,8<br>59.88 | 255     | 120,729,<br>352.24   |
| Office (Clerical/Administration)   | 437    | 13 123<br>713.06 | 426    | 119 952<br>010.70 | 486    | 3103865<br>02.06  | 524     | 143,283,3<br>04.08 | 507     | 128,173,<br>209.32   |
| Non-professional (visible police officers on the street)                                   | 1025   | 46 942<br>294    | 1117   | 233 263<br>221.70 | 1302   | 67777258<br>40.55 | 1497    | 459,248,7<br>61.80 | 1465    | 492,453,<br>597.00   |
| Contract   | 129    | 1 454<br>469.84  | 338    | 28 156<br>589.70  | 439    | 1313207<br>0.40   | 379     | 12,527,01<br>1.20  | 376     | 13,481,8<br>56.00 (Contract<br>s expired<br>30 June<br>2011) |

| Statistical Details   | 2006/7  |                   | 2007/8                            |                   | 2008/9                       |                   | 2009/10 |        | 2010/11 |        |
|---|---|-------------------|-----------------------------------|-------------------|------------------------------|-------------------|---------|--------|---------|--------|
|   | Number  | R '000            | Number                            | R '000            | Number                       | R '000            | Number  | R '000 | Number  | R '000 |
| Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package. Office includes desk bound police and traffic officers, non-professional includes aides: |   |                   |                                   |                   |                              |                   |         |        |         |        |
| Total number of call-outs attended:   | The amount of calls received and distributed from 01 Jan 2007-28 Nov 07 is 25 939 |                   | 77 156                            | No data available | 67 895                       | No data available |         |        |         |        |
| Average response time to call-outs:   | 2 minutes   | No data available | No data available                 | No data available | 2                            | No data available |         |        |         |        |
| Type and number of grants and subsidies received  | Licensing services : Refund:  | 44 940 000        | Licensing services: Refund: Motor | 60 228 593        | Licensing service s: Refund: | 65,091,06.61      |         |        |         |        |

| Statistical Details   | 2006/7        |         | 2007/8        |            | 2008/9        |          | 2009/10       |           | 2010/11       |        |
|---|---------------|---------|---------------|------------|---------------|----------|---------------|-----------|---------------|--------|
|   | Number        | R '000  | Number        | R '000     | Number        | R '000   | Number        | R '000    | Number        | R '000 |
|   | Motor vehicle |         | Motor vehicle |            | Motor vehicle |          | Motor vehicle |           | Motor vehicle |        |
| Total operating cost of police and traffic function                                 | 405 448       | 794     | 518 728       | 494        | 575,333,      | 292.16   |               |           |               |        |
| Number and cost to employer of all personnel associated with fire brigade services: | 611           | 123 734 | 495           | 131 530    | 576           | 247 8679 | 645           | 211,318,9 | 557           | 225,42 |
|   | 872           |         | 169           |            | 11.64         |          | 49,44         |           |               | 0,349, |
|   |               |         |               |            |               |          |               |           |               | 08     |
| Professional (Senior Management)  | 63            | 23 148  | 59            | 24 626 519 | 43            | 6243659  | 14            | 11,623,92 | 13            | 11,810 |
|   | 928           |         |               |            | 3             |          |               | 8,50      |               | ,285,8 |
| Field Detectives/Supervisors  | 325           | 70 786  | 307           | 73 365 114 | 40            | 2576913  | 57            | 26,099,82 | 57            | 28,737 |
|   | 563           |         |               |            | 1.20          |          |               | 2,28      |               | ,048,3 |
| Office (Clerical/Administration)  | 125           | 23 973  | 96            | 21 952 698 | 72            | 2324823  | 81            | 22,148,75 | 78            | 23,327 |
|   | 759           |         |               |            | 5             |          |               | 5,02      |               | ,708,0 |
|   |               |         |               |            |               |          |               |           |               | 4      |

| Statistical Details  |        | 2006/7    |        | 2007/8    |        | 2008/9   |         | 2009/10   |           | 2010/11           |                        |
|--|--------|-----------|--------|-----------|--------|----------|---------|-----------|-----------|-------------------|------------------------|
|  | Number | R '000    | Number | R '000    | Number | R '000   | Number  | R '000    | Number    | R '000            |                        |
| Non-professional<br>(visible police<br>officers on the<br>street)  | 33     | 2 977     | 32     | 29 113    | 342    | 421      | 1364139 | 419       | 150,514,0 | 409               | 161,45<br>4,306,<br>88 |
| Volunteer  | -      | -         | -      | -         | -      | -        | -       | -         | -         | -                 |                        |
| Temporary  | 2      | 122 760   | 1      | 70 005    |        |          |         |           |           |                   |                        |
| Contract   | 64     | 1 229     | -      | -         |        |          |         |           | 74        | 932,400           |                        |
| Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package. Office includes desk bound police and traffic officers, non-professional includes aides |        |           |        |           |        |          |         |           |           |                   |                        |
| Number and cost to<br>employer of all<br>personnel<br>associated with<br>disaster<br>management<br>services:   | 15     | 5 697 060 | 18     | 6 320 747 | 23     | 15809996 | 27      | 10,962,83 | 26        | 11,807,3<br>45,78 |                        |

| Statistical Details   | 2006/7 |           | 2007/8 |           | 2008/9 |              | 2009/10 |              | 2010/11 |              |
|---|--------|-----------|--------|-----------|--------|--------------|---------|--------------|---------|--------------|
|   | Number | R '000    | Number | R '000    | Number | R '000       | Number  | R '000       | Number  | R '000       |
| Professional (Senior Management)  | 7      | 4 177 932 | 7      | 4 441 142 | 7      | 884 9850, 10 | 6       | 3 621 850,06 | 5       | 3 771 611,60 |
| Field (Detectives/Supervisors)  | 6      | 1 762 537 | 8      | 2 590 805 | 14     | 658 5522, 70 | 19      | 6 874 540,28 | 19      | 7 549 301,18 |
| Office (Clerical/Administration)  | 2      | 292 609   | 2      | 311 044   | 2      | 374 623,9 2  | 2       | 466 443,60   | 2       | 486 433,00   |
| Non-professional (visible police officers on the street)  | -      | -         | -      | -         | -      | -            | -       | -            | -       | -            |
| Volunteer   | -      | -         | -      | -         | -      | -            | -       | -            | -       | -            |
| Temporary   | -      | -         | -      | -         | -      | -            | -       | -            | -       | -            |
| Contract  | 1      | 76 800    | -      | -         | -      | -            | -       | -            | -       | -            |
| Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package. Office includes desk bound police and traffic officers, non-professional includes aides. |        |           |        |           |        |              |         |              |         |              |

## UPDATE FOR 2010/11

| Target                                 | Actual                       |
|--|------------------------------|
| 64,75% Personnel and resources average | 60,14%                       |
| 14 Fire stations operational           | 14 Fire stations operational |
| 200 Personnel on average on duty/day   | 84 Persons                   |
| 12 Minute average response time        | 11, 93 Min                   |

## 5.11 EMERGENCY SERVICES

The Fire Brigade Services within the Community Safety Department is 100% compliant with ASD and the Emergency Services Master Plan regarding response times to fire incidents, placement of vehicles at stations and the number of stations operational.

| TARGET                          | ACTUAL                             |
|---------------------------------|------------------------------------|
| 64,75% Personnel and resources  | 60,5% personnel and resources      |
| 14 Fire stations operational    | 14 Fire stations operational       |
| 200 Personnel on duty/day       | 110 Personnel on duty per duty     |
| 12 Minute average response time | 11, 7 Minute average response time |

The current number of stations is still not sufficient enough and erection of additional fire stations will commence during this year and the years to follow.

The speeding up of the erection of fire stations and filling a large number of vacancies within the brigade is aimed towards improving service delivery.

Levels of services provided:

| Services or Activities                    | Areas                                    | Wards | Regions                               | Achievements  |
|---|--|-------|---------------------------------------|---|
| Winter awareness road show                | Mamelodi East Lusaka informal settlement | 10    | East                                  | Create fire and flood awareness amongst the community members   |
| Established the NGO/CBO/FBO Sub-Committee | Hammanskraal , Soshanguve, Mamelodi      |       | North West, South, East, Central West |   |
| ISDR                                      | Odi Hospital Mabopane                    | 22    | North West                            | Protect the lives of patients and health workers by ensuring the structural resilience of health facilities<br>Make sure health facilities and health services are able to function in the aftermath of emergencies and disasters |

|   |                               |                              |  |   |
|---|-------------------------------|------------------------------|--|---|
| Coordinated training for capacity building on basic fire fighting and first aid |                               |                              | North West, South, East, Central West                | Train community members on fire fighting and first aid  |
| Coordinated training of disaster management volunteers                          |                               |                              | North West, South, East, Central West                | Capacitate the volunteers on disaster management matters  |
| Awareness campaigns at School and the Community                                 | 52 school awareness campaigns | Various wards in Tshwane     | North West, South, East, Central West and North East | Create fire and flood awareness amongst the community members   |
| Emergency planning in 30 council buildings                                      | Various areas in Tshwane      | 3, 51, 58, 59, 60, 62 and 68 | Central Western                                      | Different outcomes on different building pr facilities: information session provided, Emergency plans template completed, emergency plan evaluated, emergency management teams trained on basic fire fighting and first aid level |
| Emergency planning in 3 council buildings                                       | Various areas in Tshwane      | 23, 43 and 45                | Eastern  | Different outcomes on different building pr facilities: information session provided, Emergency plans template completed, emergency plan evaluated, emergency management teams trained on basic fire fighting and first aid level |

|  |                          |   |            |   |
|--|--------------------------|---|------------|---|
| Emergency planning in 9 council buildings  | Various areas in Tshwane | 43, 49, 50, 74 and 75                         | North East | Different outcomes on different building pr facilities: information session provided, Emergency plans template completed, emergency plan evaluated, emergency management teams trained on basic fire fighting and first aid level |
| Emergency planning in 8 council buildings  | Various areas in Tshwane | 2, 4, 34, 47 and 51                           | North West | Different outcomes on different building pr facilities: information session provided, Emergency plans template completed, emergency plan evaluated, emergency management teams trained on basic fire fighting and first aid level |
| Emergency planning in 15 council buildings | Various areas in Tshwane | 47, 48, 65, 61, 51, 23, 64, 66, 61, 23 and 58 | Southern   | Different outcomes on different building pr facilities: information session provided, Emergency plans template completed, emergency plan evaluated, emergency management teams trained on basic fire fighting and first aid level |

## 5.12 CORPORATE AND SHARED SERVICES

The main function of Corporate and Shared Services is to provide efficient and effective non-core services to the internal departments within the City of Tshwane. These services include the administration of salaries and benefits, the processing of leave and recently, the recruitment process.

The year under review focused on migrating functions identified into the shared service environment. This was however met with a number of challenges. Some of the significant challenges included resistance from the staff to move into a new environment and adapt new ways of doing things. Inadequate staffing due to budgetary constraints in the division also posed as a challenge.

Leadership changes also caused delays in the process to migrate functions. Change Management initiatives were implemented, but there was inadequate support due to lack of expertise, which will be addressed in the new financial year. The Salaries function also suffered due to constraints in the salary budget and lack of technical expertise to manage the payroll system. These will be addressed in the new financial year.

### Analysis of function

| 2006/7                                  |   | 2007/08 |   | 2008/9 |   | 2009/10 |   | 2010/11 |   |            |   |
|---|---|---------|---|--------|---|---------|---|---------|---|------------|---|
| Number                                  | R | Number  | R | Number | R | Number  | R | Number  | R | Number     | R |
| Professional<br>(Managerial/Specialist) |   |         |   |        |   |         |   | 36      |   | 14,559,354 |   |
| Office<br>(Clerical/Administrative)     |   |         |   |        |   |         |   | 74      |   | 19,840,209 |   |
| Non-office staff                        |   |         |   |        |   |         |   | 1       |   | 76,854,00  |   |

\*Due to the fact that the Shared Services is a new division under Corporate and Shared Services, no comparisons can be made on the staff complement between the years. However, it is anticipated that in the new financial year, the complement and staff costs will increase as more functions are migrated. The migration principle on the transfer of functions is that the salary budget follows the function migrated. Therefore, the staff complement of the divisions or departments where functions are migrating from will be reduced.

## CUSTOMER RELATIONS MANAGEMENT

The City has committed itself to live by the Batho Pele Principles and the Customer Relations Management Unit has a pivotal role in ensuring that every two years a customer survey is conducted. The methodology followed, ensures that all key stakeholders are involved in the process and it includes the residents, embassies and the business sector.

The 2009 and 2011 service assessment model was specifically designed to focus on the following municipal service-related aspects:

- General perceptions of service delivery of the City of Tshwane, its ability to provide people with a good quality of life as well as changes that have accrued in service performance delivery during the past 12 months.
- Identification of major challenges and priorities to be attended to during the next 12 months.
- Assessment of core household service deliveries such as electricity, refuse collection and waste removal, neighbourhood roads, sanitation, waste water, sewerage, storm water drainage, flooding, water provision as well as street and public lights.
- Assessment of ownership of and satisfaction with pre-paid electricity and water meters their installation as well as the availability of vending points.
- Assessment of municipal tariffs and rates with specific reference to electricity tariffs, pre-paid electricity tariffs, property rates, water tariffs, pre-paid water tariffs, refuse removal, sanitation tariffs, waste removal tariffs and bus tariffs.

- Assessment of the satisfaction with 30 municipal community services such as community halls and recreation centres, fire and rescue services and the fire brigade, emergency medical and ambulance services, municipal bus service, municipal cemeteries, municipal clinics, municipal hospitals, municipal museums (eg Pretoria Art Museum), municipal theatres, Pretoria National Zoo, parks, pavements and pedestrian walkways, public libraries, public sports facilities, municipal public toilets, garden refuse sites, municipal taxi ranks, informal trading facilities, public swimming pools, recreation resorts and nature conservation areas; licensing: learner driver's licence and driver's licence, applications and renewals), waste removal, emergency and disaster management, street sweeping and litter control, traffic lights and signals, grass cutting, road maintenance (repairs, signage, markings, speed bumps), street trees, government and social housing (low-cost housing). The utilisation levels of each of these 30 service types were also measured.
- Assessment of public safety and by-law enforcement.
- Assessment of billing and payment issues.
- Assessment of Customer Care Services.
- Assessment of involvement in metro consultative and participatory processes.
- Assessment of communication preferences.
- Perceived levels of corruption in the City of Tshwane.
- Perceptions of government (Batho Pele) principles.
- Assessment of city developments and assessment of democratic accountability issues.

**CITY OF TSHWANE TOP FIVE PRIORITY AREAS, 2011**

| Household survey  |
|---|
| Job creation and skills development,<br>Safety and security,<br>Illegal immigrants,<br>Crime, and<br>Access to core services. |

**TABLE A2**  
**THE TOP FIVE CONSTRAINTS EXPERIENCED BY BUSINESS SIZE CLASS**

| Large and medium formal business  | Small formal business  | Informal business  |
|---|--|--|
| <ul style="list-style-type: none"> <li>• Availability of skills</li> <li>• Crime (eg theft)</li> <li>• Labour regulations and actions</li> <li>• Tax rates</li> <li>• Lack of infrastructure</li> </ul> | <ul style="list-style-type: none"> <li>• Availability of skills</li> <li>• Crime (eg theft)</li> <li>• Tax rates</li> <li>• Labour regulations and actions</li> <li>• Access to finance</li> </ul> | <ul style="list-style-type: none"> <li>• Access to finance</li> <li>• Crime (eg theft)</li> <li>• Cost of capital</li> <li>• Lack of infrastructure</li> <li>• Availability of skills</li> </ul> |

**TABLE A3**  
**TOP BUSINESS CONSTRAINTS, 2011**

| Constraints               | Large/medium formal | Small formal | Informal | Total |
|---------------------------|---------------------|--------------|----------|-------|
|                           | Rank                | Rank         | Rank     | Rank  |
| Crime and theft           | 2                   | 1            | 2        | 1     |
| Cost of capital/credit    | 8                   | 6            | 3        | 5     |
| Lack of access to finance | 6                   | 5            | 1        | 3     |
| Labour regulations        | 3                   | 4            | 9        | 4     |

| Tax rates                                | 4  | 3  | 8  | 6  |
|--|----|----|----|----|
| Availability of skills                   | 1  | 1  | 5  | 2  |
| Weakening rand/exchange rate             | 7  | 8  | 7  | 8  |
| Infrastructure provision and quality     | 5  | 7  | 4  | 7  |
| Regulations for expanding new business   | 9  | 9  | 6  | 9  |
| Export and import regulations/procedures | 10 | 10 | 10 | 10 |

## MUNICIPAL COURTS

Municipal courts services have been extended to Mamelodi and Ga-Rankuwa Districts as well as Soshanguve. Accommodation has been secured in Atteridgeville and Temba.

Implementation of the AARTO legislation has had a positive impact on the operational business of municipal courts, with respect to court rolls.

By the Department of Justice and Constitutional Development implementing the re-demarcation Of Magisterial Districts, there is an impact on municipal courts because their business must be aligned to these districts.

### Analysis of the function

| Details  | 2006/07 |               | 2007/08 |               | 2008/09 |               | 2009/10 |               |
|--|---------|---------------|---------|---------------|---------|---------------|---------|---------------|
|  | Nr      | R             | Nr      | R             | Nr      | R             | Nr      | R             |
| Number and cost to employer of staff employed:                 |         |               |         |               |         |               |         |               |
| Professional<br>(Managerial/<br>Specialist)                    | 13      | R5,070,131.36 | 11      | R4,871,399.8  | 10      | R5,179,705.62 | 11      | R6,803,604.00 |
| Office<br>(Clerical/<br>Administrative)                        |         | R7,240,899.50 | 61      | R7,663,692.45 | 58      | R8,142,55.55  | 51      | R8,513,992.40 |
| Non-<br>professional<br>(blue collar,<br>outside<br>workforce) |         | R169,325.44   | 2       | R183,658.00   | -       | -             | 2       | R264,052.08   |

### LEVEL AND STANDARD OF SERVICE

Register for complaints are in place to ensure that all complaints are dealt with within 48 hours.

In total municipal courts have five fully operational front offices that can handle queries and complaints. The Batho Pele operating procedures have been established at all of these offices.

## **STRATEGIC HUMAN RESOURCES MANAGEMENT (EMPLOYMENT EQUITY)**

The purpose of this division is to facilitate the implementation of the Employment Equity in support of the strategic objectives of the City of Tshwane.

### **KEY PERFORMANCE AREAS**

- To ensure proper management of the Employment Equity process;
- To develop the Corporate Employment Equity performance areas in terms of the generic model;
- To facilitate the auditing of the status quo;
- To ensure the development and implementation of the Employment Equity plan, and
- To ensure the continuous monitoring and evaluation of the Employment Equity plan.

### **THE TSHWANE LEADERSHIP AND MANAGEMENT ACADEMY**

Is a centre of excellence that –

- promotes the development of efficacious leadership and management capacities;
- optimises the required knowledge management capabilities; and
- contributes towards the creation of a leading international Capital City of Excellence.

The objective of the Tshwane Academy is to develop a cadre of core leaders to advance the City of Tshwane's short-term and long-term goals. This is being done, inter alia, by means of the establishment of –

- an advisory or oversight steering committee;
- collaborative strategic partnerships;
- knowledge management structures;
- intra-institutional renewal and capacitation forums (read: executive seminars); and
- learning, innovation and economic development opportunities.

The objective of this Department is to promote sustainable communities by establishing social and cultural programmes that enable the celebration of diversity and foster social inclusion by, inter alia, sustaining the following activities:

- Provide cultural facilities that are accessible to 40 457 visitors as well as five cultural programmes in total,
- Library facilities and programmes by increasing library access to 99 920 registered members,
- Sport and recreation facilities and programmes by increasing usage opportunities at 345 sport and recreation facilities to 42 180; and
- providing 19 sport programmes.

The following programmes and special activities were undertaken by the department during the year under review to meet its objectives:

#### **Arts and Culture programmes:**

- Pale ya Rona Carnival

During 2011 the City of Tshwane participated in the Pale Ya Rona carnival and won the following awards: 1<sup>st</sup> Prize for Best Carnival Region, Best Carnival Float, 1<sup>st</sup> Prize for Best Choreography and 2<sup>nd</sup> Prize for Cultural Presentation.

- Youth Crafts Programme

A Crafts Programme has been developed as a pilot programme and hosted during Youth Month of 2011. The programme has focused on poverty alleviation in Tshwane and the empowerment of the youth by creating jobs through skilfulness. The programme has been conducted at Kwalata Game Reserve from 27 to 29 June 2011 and fifty young, talented and interested people of Olievenhoutbosch, Hammanskraal, Garankuwa and Metswedeng have been identified according to their skills and partaken in the crafts training. Training in wirework, wire basketry,

mosaic and beading was conducted, which included motivation talks on creative thinking and job opportunities. An outstanding and astounding service was provided by the Crafts Service Provider, Ngezandla Zethu.

#### Crafts fields: Training in wirework, wire basketry, mosaic and beading

Day 2: A wire basket in making

The MMC: SRAC inspires the group and supports the programme

Two angels: one proudly illustrating her beautiful beadwork product

## **EXHIBITIONS & PROGRAMMES 2011 MUSEUMS**

### **Nelson Mandela Photo Exhibition**

The Nelson Mandela Photo Exhibition which was on display at the Pretoria Art Museum was officially launched on the evening of 16 July 2010 by Her Excellency, Executive Mayor, Dr Gwen Ramokgopa. The Official Launch was attended by 100 guests that included amongst others, ambassadors and the Provincial Executive of the ANC and other dignitaries. The exhibition captured the life of Nelson Mandela as a young boy in his hometown of Qunu. It further displayed Mandela during the Treason Trial which led to his imprisonment to life in 1964. The period of his release in 1990 and subsequent inauguration as President in 1994 were also captured. The Executive Mayor spoke at length about the Life of Madiba in her keynote address.

The exhibition included photographs by, among others, Matthew Willman, Juda Ngwenya, Debbie Yazbek and Peter Morey.

### **Programme: A story of South African art**

A selection of artworks from the permanent collection tells a brief story of South African art from the time of the first San artists. This selection includes the works of early 20th century painters, Resistance artists of the 1980s and artists of the 21st century.

### **Sport programmes:**

The department supported the following Sport Development programmes:

- Girls Football Development Girls Football Development (Dlala Ntombazana)
- Seven girl football players joined the National Academy High Performance Centre and progressed to play international football in Trinidad and Tobago, UK and Turkey respectively.
- Woman's Rugby

The Blue Bulls Rugby Union ran a Coaches Recruitment drive at Soshanguve Block X Sport Ground. From the 51 (Fifty one) coaches who attended the first session, 35 (Thirty Five) coaches, of which thirteen (13) were women, completed the programme and 10 coaches had started rugby team in the area.

- Roller Sport

The City boasts the only roller skating track in Gauteng which is situated in Hammanskraal. This led to participation in the Italian Major Championship in 2010, the SA Open Speed Roller Skating Championship 2011 and four gold medals won by a Tshwane youth at the Italian Championship.

- U12 football legacy programme

This programme aims to assist the South African Football Association (SAFA) in Tshwane through a mass participation development programme and in the end SAFA National, to identify and develop talented young players and coaches for the future national teams.

- ABET Program takes place annually and is on-going at the following Libraries: Temba, Hammanskraal, VT Sefora in Garsfontein, Rankuwa, Stanza Bopape and Soshanguve. This program assists in creating job opportunities to the communities, as well as alleviating poverty of knowledge;
- SA Library Week – this Program assists in creating awareness of the importance of reading to the communities and to inculcate the culture of reading. This is an annual Program and it takes place during March when all Libraries nationally participate. This Program impacts on the community as it focuses on children's reading. Primary school learners read some identified books and also do poetry recitals;
- World Book Day – this is an annual program aimed at communities Worldwide to promote reading and writing;
- Spelling competition – this Program is done annually for Grades 10 and 11 in Atteridgeville. During 2011 it was held on 22 September. Ward 62 residents as well as the surrounding Wards benefitted from this competition
- 2010 Legacy Project- Iconic Sculptures

The City of Tshwane has beautified Tshwane in line with its host city agreement with FIFA. One of the projects under this programme was the commissioning of the 2010 iconic sculptures located outside Loftus Versfeld, HM Pitje and Lucas Moripe Stadiums respectively. The sculptures at these training and match venues reflect the diverse cultural heritage of Tshwane and are a lasting legacy of the first FIFA World Cup in Africa. Furthermore, the sculptures are to promote the development of public spaces beyond the World Cup.

|  |   |   |
|--|---|---|
| ANGUS TAILOR: Concept: Little Mamma Afrika<br>(Lucas Moripe Stadium) | ANGUS TAILOR: The One Brother and the Dark Cloud (Loftus Stadium) | REUBEN MOKWENA: Concept: African Horn (H.M Pitje) |
|--|---|---|

- Final achievement with regards to five year targets : CAPEX

| <b>Financial year:</b> | <b>Capex expenditure:</b> | <b>Projects finalised</b>   |
|------------------------|---------------------------|---|
| 2006/7                 | R 86,746,994              | Soshangue Block K multi-purpose hard court facility – (Ward 35, Region 1)<br>Solomon Mahlangu statue – (Ward 38, Region 6)  |
| 2007/8                 | R 66,666,245              | Chief Tshwane statue – (Ward 1, Region 3)<br><br>Nelmapius multi-purpose sport & recreation facility & Library – (Ward 40, Region 6)<br><br>Upgrading of West End Disabled indoor sport facility – (Ward 1, Region 3)<br><br>Ga-Rankuwa Community Library – (Ward 32, Region 1) |
| 2008/9                 | R 178,133,056             | Mabopane Golf Development project – (Ward 21, Region 1)<br><br>H M Pitje stadium upgrading – (Ward 18, Region 6)  |
| 2009/10                | R 56,474,620              | Lucas Masterpieces Moripe Stadium – Ward 62, Region 1<br>Suurman multi-purpose community centre – (Ward 8, Region 2)<br>Tembisa Sport complex –(Ward 76, Region 2)<br><br>2010 Iconic statues – (Tshwane wide)  |

|         |             |   |
|---------|-------------|---|
|         |             | <p>Upgrading of Temba community library – (Ward 75, Region 2)</p> <p>Soshanguve Block X community library – (Ward 26, Region 2)</p> <p>Giant Stadium – (Ward 33, Region 2)</p> <p>Hammanskraal multi-purpose Sport &amp; Recreation facility – (Ward 73, Region 2)</p>  |
| 2010/11 | R 7,204,134 | <p>Mabopane Library – (Ward 21, Region 1)</p> <p>Lotus Gardens Multi-purpose centre – (Ward 7, Region 3)</p> <p>Hammanskraal Cultural centre (feasibility Study) – (Ward 8, Region 2)</p> <p>H.M. Pitje Stadium – (Ward 18, Region 6)</p> <p>Upgrading Temba Library (Ward 75, Region 2)</p> <p>Suurman multi-purpose centre – (Ward 8, Region 2)</p> <p>Upgrading of museums – (Wards 60,59, Region 3)</p> |

## CONCLUSION

The descriptions of all the above departments are a good indication that even with limited human and financial resources, the City is committed to providing the best services possible and endeavours to make good use of all partnership opportunities in order to accomplish this.

### 5.14 CITY SCORECARD SO 1: PROVIDE QUALITY BASIC SERVICES AND INFRASTRUCTURE

All percentage calculations are based on 686 640 households in Tshwane (Stats SA community survey conducted in 2007)

| IDP KPI   | Key Performance Areas (KPAs)                      | Five-year target(s)   | KPIs  | Achieved 2006/07  | Achieved 2007/08   | Achieved 2008/09  | Target 2009/10 | Achieved 2010/11   | Explanation of variance   | Corrective measures  |
|---|---|---|---|---|--|---|----------------|--|---|--|
| % of households with access to basic or higher level of solid waste removal (NKP) | Eradicate basic services backlogs by 2014         | (14.1.1)% of households with access to basic or higher level of solid waste removal (NKP) | 84.6%   | Target 07/08<br>760,634 waste service points as per the SDBIP<br>Achieved 07/08<br>77.1% of households with access to basic or higher waste removal services (529,359 households) | 89%<br>611,763/h<br>529,399/h of FY2007/08 plus 9,364 new kerbside waste removal plus 73,000/h provided with communal skips. | 95.5%<br>656159h/h<br>53763 formal households of 08/09 receiving kerbside plus 8561 new kerbside waste removal plus 108835 h/h in informal areas provided with plastic bag removal services | 80%            | 130.6 %<br>896 828h/h (235 150h/h in informal areas provided with plastic bag removal services)<br>5519 new kerbside waste removal]] | The closure of the finance system impacted on purchasing of material on time.<br>As challenges they had with their critical equipment. The results of the above lead to the department not meeting its target | The department will ensure that it obtains all material on time. |
| % households with access to free basic services                                   | Provide quality basic services and infrastructure | Ensure that all indigent are supported  | % households with access to free basic services |   |  |   | 100%           | 100%   | The City in the 10/11 financial year have provided basic services to 12,216 indigent registered   | n/a  |

| IDP KPI   | Key Performance Areas (KPAs) | Five-year target(s)  | KPIs  | Achieved 2006/07  | Achieved 2007/08  | Achieved 2008/09  | Achieved 2009/10  | Target 2010/11  | Achieved 2010/11   | Explanation of variance  | Corrective measures  |
|---|------------------------------|--|---|---|---|---|---|---|--|--|--|
| % households with access to free basic services (electricity, water and sanitation) | Electricity                  | Eradicate basic services backlog that equal or were completed earlier than national targets (2012) in line with the 2009/10 budget | (1.1.1.1)<br>% of households with access to basic or higher level of electricity (NKP) <sup>3</sup>               | 100% in Tshwane supply area<br>82% for all areas in Tshwane   | Target 07/08<br>512,217 h/h receive electricity as per SDBIP<br>Achieved 07/08<br>77.4% (531 459 h/h out of 686 640 h/h)                      | 78.5%<br>539,401 h/h out of 686 640 h/h<br>531 459 h/h of FY2007/08 year plus 7,942 new connections   | 79.02%<br>542,596 h/h out of 686 640 h/h<br>539,401 h/h of FY2008/09 plus 3,195 new connections | 79.4%<br>(4559)<br>547 195 h/h out of 686 640           | 79.7%<br>(4559)<br>547 195 h/h out of 686 640                  | This KPI is dependent on availability of houses that needs to be electrified.  | Funding for the 11/12 has been received from the Provincial government (received in March 2011).   |
| Water   |                              | Eradicate basic services backlog that equal or were completed earlier than National targets (2008)                                 | (1.2.1.1 and 1.2.2.1) % of households with access to basic or higher level of water (NKP) <sup>4</sup>            | 89%<br>20,198 water connection<br>Households with access to basic or higher water   | Target 07/08<br>547,421 h/h receive water as per SDBIP<br>Achieved 07/08<br>97.1% Piped water: (666,724 households)                           | 98.6%<br>676,794 h/h have access to piped water.<br>666,724 h/h of FY2007/08 plus 6,794 new connections delivered for water and sanitation plus 3,276 new connections provided for housing  | 99.6%<br>684,464 h/h have access to piped water plus 2111                                       | 99%<br>684,464 h/h have access to piped water plus 2111 | 99.9%  | Due to delays in procurement processes the target could not be achieved. Two departments are reporting on this KPI.  | Procurement processes have been improved since time frames have been revised to improve efficiency |
| Sanitation  |                              | Eradicate basic services backlog that equal or completed earlier than National targets (2010)                                      | (1.3.1.1 and 1.3.2.1) percent of households with access to basic or higher level of sanitation (NKP) <sup>5</sup> | 20,849 sewer connections<br>Households with access to basic or higher sanitation: Flush toilets: 72%; VIP toilets: 23%; 95% with access | Target 07/08<br>479,999 h/h receive sanitation as per the SDBIP<br>Achieved 07/08 (97.6%)<br>670,161 have access to basic or higher services. | 98.5%<br>676,274 h/h have access to basic or higher sanitation.<br>670,161 h/h of FY2007/08 plus 2,453 new water and sanitation connections plus 3,650 new connections provided for housing | 98.3%<br>679,572 h/h have access to basic or higher sanitation.                                 | 99.2%   | 99.5%<br>683,600 h/h have access to basic or higher sanitation | Two departments are contributing on this KPI and they have achieved 2111 and 1917 respectively. Supporting documents from both departments has been submitted to the Auditor General |  |

<sup>3</sup> Indicator 1.1.1.1 on the SDBIP scorecard<sup>4</sup> Indicator 1.2.1.1 and 1.2.2.1 on the SDBIP scorecard<sup>5</sup> Indicator 1.3.1.1 and 1.3.2.1 on the SDBIP scorecard

| IDP KPI   | Key Performance Areas (KPs)                       | Five-year target(s)  | KPIs  | Achieved 2006/07   | Achieved 2007/08   | Achieved 2008/09   | Achieved 2009/10 | Target 2010/11 | Achieved 2010/11  | Explanation of variance   | Corrective measures   |
|---|---|--|---|--|--|--|------------------|----------------|---|---|---|
| % of Total operating income (TOI) spent on repairs and maintenance      | Infrastructure maintenance                        | Expenditure on infrastructure maintenance is in line with national norms and standards by 2011   | (1.5.2.1) Restructuring grant target of: 14% to total income (TOI)      | Repairs and Maintenance to Total operating income 9,13% R725,763,000 | 07/08 target 14% 07/08 achievement 16%   | 11.6 % due to budget availability  | 14%              | 11.2%          | 41.5% Total maintenance budget is R6 195 820.46 Total projected income is R18 142 423.3 Total expenditure on maintenance is R7.530,091.67               | Proper Budgeting for preventative maintenance will lead to better maintained properties and low expenditure on ad hoc maintenance     | That budget requirements for the next financial will ensure that ad hoc and preventative maintenance is budgeted for sufficiently |
| % of households with access to public transport (within 800 m of stand) |   |  | % of households with access to public transport (within 800 m of stand) |  |  |  |                  |                | 48%   |   |   |
| Formal dwellings  | Housing   | Accelerate Housing delivery by 2014  | (1.5.1.3) Percent of households living in formal dwellings <sup>6</sup> | 77,6% Target 07/08 77,36% 7,609 Of 620,210 hh                        | 71.2% Target 07/08 77,36% 486,767 hh live in formal dwellings out of 621,210 hh as per SDBIP.  | 71.8% 489,060 h/h live in formal dwellings because 4,374 houses are registered to owners in the 2009/10 year (calculation of number of households has been corrected to 493 434) | 73%              | 72.2%          | 493 434 h/h live in formal dwellings because 4,374 houses are registered to owners in the 2010/11 financial year  | This KPI is dependent on availability of houses to be transferred to owners as well as the issuing of title deeds by the Deeds office | Funds are available for this KPI to be implemented in the 2011/12 financial year  |
| Proclaimed townships and Formalisation                                  | Provide quality basic services and infrastructure | Contribute towards the national target of formalising all 65 informal settlements that can be formalised. By 2009, all informal settlements that | ( % of households living in proclaimed townships/areas                  | n/a  | Not 07/08 target, however, the following achievements were reported. 100% -20.7% = 79.3%, that is 544 506 households, 142 134 households living in | 79,3% 544,506 h/h  | 82% (1)          | 0% 0           | No township proclamation took place in the 2010/11 financial year as not all services were available (roads, storm water), though most of town planning | This KPI will be implemented in the 2011/12 financial year as all the identified gaps impacting on meeting the target were            |   |

<sup>6</sup> Indicator 1.5.1.3 refers to 2851 houses registered to owners

| IDP KPI                              | Key Performance Areas (Kpas)   | Five-year target(s)  | KPIs  | Achieved 2006/07   | Achieved 2007/08  | Achieved 2008/09             | Achieved 2009/10                              | Target 2010/11  | Achieved 2010/11   | Explanation of variance   | Corrective measures   |
|--------------------------------------|--|--|---|--|---|------------------------------|---|---|--|---|---|
|                                      | can be established as townships are established and the rest established by 2014 |  | informal areas (StatsSA) households distributed as main dwelling: Informal dwellings in informal settlements (19.7% plus traditional dwellings (thus) 0.5% plus Other 0.5% = 20.7%. |  |   |                              |   |   |  | processes have been addressed   | addressed and resolved.   |
| % of informal settlements formalised | Provide quality basic services and infrastructure                                | Contribute towards the national target of formalising the 65 informal settlements in Tshwane, by 2014 in line with available budgets, by facilitating the approval of the land development application | # of informal settlements formalised  |  |   |                              |   |   | 100%   | 0% There was no achievement this financial year.  | No informal settlements were formalised but most of town planning requirements were met except proclamation   |
| % of municipal road index network    | Provide quality basic services and infrastructure                                | (1.7.2.1) Km of road as a proportion of square km of proclaimed area   | 37,5 km   | 07/08 target 12.4 km of new roads<br>07/08 achievement 51,7 km | 24.5 km of roads delivered.<br>New areas not yet proclaimed | 14,363 km of roads delivered | 72% (72% based on required minimum standards) | Achieved Backlogs – 4.64 km<br>For growth – 17.96 km<br>Reduce backlogs – target 18 km<br>For growth target 6 Rehabilitation and maintenance – 26.23 km | That all backlog will be addressed in the 11/12 financial year as most of the gaps have been closed to ensure that the department meets its target | The municipal road index of 72% extracted from the IDP is a ratio that was calculated for 2010/11 as follows:<br>Numerator: Total length in km of municipal road network that meets the minimum standards<br>Denominator:<br>Total length in km of the municipal road network from the pavement management system 5 967 km / 8 238 km = 72% (see Year 1 in Scorecard Master attached)<br>The actual achievements for roads completed and reported for 2010/11 are: Backlogs: 10.33 km | Proclamation of townships will take place in the 2011/12 financial year as most of the gaps have been closed to ensure that the department meets its target |

| IDP KPI   | Key Performance Areas (KPIs)                      | Five-year target(s)  | KPIs   | Achieved 2006/07 | Achieved 2007/08  | Achieved 2008/09 | Achieved 2009/10 | Target 2010/11  | Achieved 2010/11 | Explanation of variance  | Corrective measures |
|---|---|--|--|------------------|---|------------------|------------------|---|------------------|--|---------------------|
| % of municipal road network drainage system index | Provide quality basic services and infrastructure | Eradicate basic services backlog that equal or completed earlier than national targets | (1.7.4.1) Km of backlog of storm water drainage systems eradicated | 39.7 km          | 07/08 target<br>81.2 km<br>07/08 achievement<br>89.8 km | 76.67 km         | 45.78 km         | 63% (63% based on required minimum standards) (6.57 km) | 63% (41.7 km)    | The municipal storm water drainage system Index of 63% was calculated from the IDP is a ratio that was calculated for 2010/11 as follows:<br>Numerator: Total length in km of storm water drainage systems reflected on the Asset Register as represented by the GIS system Denominator: Total length in km of storm water drainage systems for Tshwane<br>2 185 km/3 486 km = 63% (see Year 1 in Scorecard Master attached) | n/a                 |
|   |   |  |  |                  |   |                  |                  |   |                  | The achievements for storm water drainage systems completed and reported for 2010/11 are:<br>Backlogs: 22.23 km (target 36 km)<br>Growth: 10.24 km (target 9 km)<br>(supporting documents attached)<br>These figures   |                     |

| IDP KPI | Key Performance Areas (KPAs) | Five-year target(s) | KPIs | Achieved 2006/07 | Achieved 2007/08 | Achieved 2008/09 | Achieved 2009/10 | Target 2010/11 | Achieved 2010/11 | Explanation of variance                           | Corrective measures |
|---------|------------------------------|---------------------|------|------------------|------------------|------------------|------------------|----------------|------------------|---|---------------------|
|         |                              |                     |      |                  |                  |                  |                  |                |                  | Cannot be directly linked to the above percentage |                     |

### SO2: ECONOMIC GROWTH AND SUSTAINABLE JOBS

| IDP KPI   | Key Performance Areas (KPIs)   | Five-year targets(s)   | KPIs   | Achieved 2006/07   | Achieved 2007/08  | Achieved 2008/09 | Achieved 09/10 | Target 10/11  | Achieved 10/11   | Explanation of variance  | Corrective measures  |
|---|--|--|--|--|---|------------------|----------------|---|--|--|--|
| Gini-co efficient   | Economic growth and development that leads to sustainable job creation | Decrease in the Gini coefficient by 0.01 pa  | Gini coefficient                                       | 0.57   | 07/08 target<br>0.56<br>07/08 achievement<br>0.63                                   | 0.62             | 0.61           | 0.60<br>(source:Global Insights' Rex Regional explorer) | 0.60   | Calculations for this KPI are extracted from Global Insight's Rex Regional Explorer. | Supporting documents provided from global insight                                      |
| % growth in the Geographic Value Added (GVA)  | Economic growth and development that leads to sustainable job creation | 6% growth in Tshwane GVA Rewarded # of economic nodes regenerated as per business plan to increase GVA | GVA (2.1.5.1)  | 7.8%<br>The GVA per capita for Tshwane was R48,399 in 2006<br>The GVA in 2007 was R157,741 billion | 07/08 target<br>6%. 07/08 achievement<br>6%<br>The GVA in 2007 was R157,741 billion | 3.3%<br>6%       | 6%             | 4.3%<br>(source:Global Insights' Rex Regional Explorer) | The target was adjusted from 6% as per IDP to 4%<br>Calculations for this KPI are extracted from Global Insight's Rex Regional Explorer. | Supporting document s provided from global insight                                   |  |
| R value of new investment   | Economic growth and development that leads to sustainable job creation | R2 billion   | (2.1.1.2) R-value (new investments in City of Tshwane) | 713.9m   | 816.9m  | 7.313,618,614    | R380,000,000   | R25,500,000   | Economic down turn affected as jobs were lost and businesses were closing down   | The City has embarked on various strategies to attract investments                   |  |
| # of jobs created through municipal LED initiatives including capital projects (NKPI) | Economic growth and development that leads to sustainable job creation | 217707   | (2.2.2.2) # of jobs created in the City of Tshwane     | 59,000   | 40,000  | 14,728           | 966            | 15,000  | 10,141   | Economic down turn affected as jobs were lost.                                       | There are various programmes in place to address job creation, including EPV Programme |

**SOCIAL SERVICES FOR EMPOWERED AND SUSTAINABLE COMMUNITIES**

| IDP KPI   | Key Performance Areas (KPIAs)  | Five-year target(s)   | SDBIP KPIs   | Achieved 2006/07  | Achieved 2007/08      | Achieved 2008/09      | Achieved 09/10   | Target 10/11   | Achieved 10/11  | Explanation of variance   | Corrective measures  |
|---|--|---|--|---|-----------------------|-----------------------|--|--|---|---|--|
| Reduce the number of people living below R3000 (in constant R2000) (Poverty head count index) | Fighting of poverty, building clean, healthy, safe and sustainable communities | Maintain or increase baseline by 35%  | n/a  | 3.1.1.2 % of households earning less than R7'700 per month (as per indigent register) with access to free basic services (annual) | 19,9%                 | 27,4%                 | 30,7%  | (12,00)  | 101,8% (12,216)   | In the 2010/11 the City has supported 12,216 indigent   | n/a  |
| % Tsosoloso project implemented   | Integrated social services for empowered and sustainable communities           | Ensure that municipalities meet the basic need of communities (IAS Objective) | New indicator 2010/11  | New indicator 2010/11   | New indicator 2010/11 | New indicator 2010/11 | 100% of funded projects  | 96,6%  | This indicator has been broken down into various projects and a sap report has been provided to indicate these projects. final costs were lower than expected of the projects implemented | a requested was granted for a roll-over on unspent conditional grant a letter from national treasure is attached. Supporting documents attached |  |
| % safety incident index   | Fighting of poverty, building clean, healthy, safe and sustainable communities | 100% implementation of the projects incorporated in the safer city strategy   | 3.3.1. Number of internal policing operations executed to contribute to the 1% decrease in reported crime levels per type of crime | 452   | 728                   | 594                   | No official updated information from SAPS for 2009.  | 216% 920 policing operations implemented               | 216% 920 policing operations implemented  | In the 2011/12 this KPI has been adjusted so that the department to ease reporting.   | Performance has been exceeded; however the department relays on SAPS to provide crime statistics |
|   |  |   |  |   |                       |                       | Departmental reporting :   | Regional Policing: 342 Crime Prevention: 578 Total=920 |   |   |  |
|   |  |   |  |   |                       |                       | Assault: 9,115 Robbery: 6,214 Common Robbery: 4,589 Burglary at residential premises 13,665 Theft of motor vehicle and motorcycle 6,011 Theft from motor vehicle |  |   |   |  |

| IDP KPI   | Key Performance Areas (KPA(s))   | Five-year target(s)   | SDEBIP KPIs   | Achieved 2006/07 | Achieved 2007/08   | Achieved 2008/09   | Achieved 09/10             | Target 10/11   | Achieved 10/11   | Explanation of variance   | Corrective measures |
|---|--|---|---|------------------|--|--|----------------------------|--|--|---|---------------------|
| % implementation of disaster management plan  | Fighting of poverty, building clean, healthy, safe and sustainable communities | City of Tshwane is 70% prepared for emergencies in terms of the disaster management master plan | 3.4.1.1.1 % Emergency Incidents Reported and attended ITO Risk Categories | 100% 53,637      | 100% of 60,915 ambulance services and 12,276 fire brigade (all incidents | 100% of fire incidents and 55,000 for ambulance patients | 100% fire: Medical: 76,031 | 100% phased implementation level   | 100% n/a   | Emergency incidents inclusive of structural fire and vehicle accidents only attended to on request                                  | n/a                 |
| Mortality rate index utilisation of City of Tshwane PHC services for children under 5 years of age) | Reduced child mortality  | 3.2.1.2 % of EDL medicine made available to PHC clinic at all time                              | n/a   | 99%              | 96.5%  | 99%  | <3.5%                      | The rate at which PHC services are utilised by clients 5 years and older in the catchment population, represented as the average | The rate at which PHC services are utilised by clients 5 years and older in the catchment population, represented as the average | To determine overall utilisation patterns, in particular relevant for the move towards equity in the health sector. Utilisation may |                     |

| IDP KPI | Key Performance Areas (KPAs) | Five-year target(s) | SDBIP KPIs | Achieved 2006/07 | Achieved 2007/08 | Achieved 2008/09 | Achieved 09/10 | Target 10/11 | Achieved 10/11 | Explanation of variance   | Corrective measures |
|---------|------------------------------|---------------------|------------|------------------|------------------|------------------|----------------|--------------|----------------|---|---------------------|
|         |                              |                     |            |                  |                  |                  |                |              |                | number of PHC visits per year per person 5 years or older in the catchment population. The denominator is usually Census-derived rate target is <3.5% and achieved is 4% and achieved is 4% |                     |

#### SO 4 : FOSTER PARTICIPATORY DEMOCRACY AND BATHO PELE PRINCIPLES THROUGH A CARING, ACCESSIBLE AND ACCOUNTABLE SERVICE

| IDP KPI                                       | Key Performance Areas (KPAs)   | Five-year target(s)   | KPIs  | Achieved 2006/07                    | Achieved 2007/08  | Achieved 2008/09   | Achieved 09/10               | Target 10/11                         | Achieved 10/11 | Explanation of variance   | Corrective measures                      |
|---|--|---|---|-------------------------------------|---|--|------------------------------|--------------------------------------|----------------|---|--|
| Batho Pele and customer relations management. | Annual percentage increase of residents surveyed that indicate they are satisfied with City of Tshwane responsiveness. | Percent of residents surveyed who indicated satisfaction with City of Tshwane responsiveness. | % increase in the level of customer satisfaction with service delivery in City of Tshwane | Not an 07/08 target                 | Maintain or improve baseline                            | 08/09 67.6% of those who had an opinion in the survey conducted are satisfied with the service performance of the City of Tshwane. | Maintain or improve baseline | 45%                                  | 53.2%          | The survey was conducted in the 2010/11 and it is done every second year. Respondent reporting fair and high confidence in the City of Tshwane's ability to provide good quality of life 55.2%, ranging from 43% in the Central Western Region to 62.5% in the Southern Region. | This survey is conducted every two years |
| % functional ward committees index            | Optimise effective community participation in the ward committee system.   | All essential stakeholder forums are functioning effectively in 2011.                         | Percent of ward committees that are working effectively.                                  | 92.8% of ward committees are active | 100% achievement 7 out of 76 wards not fully functional | 100% achievement 75 of 76 functional wards, 1 ward committee declared  | 100%                         | All ward committees are functioning. | 100%           | n/a   | n/a                                      |

| IDP KPI  | Key Performance Areas (KPAs) | Five-year target(s)  | KPIs                                       | Achieved 2006/07 | Achieved 2007/08   | Achieved 2008/09 | Target 10/11 | Achieved 10/11  | Explanation of variance   | Corrective measures   |
|--|------------------------------|--|--|------------------|--|------------------|--------------|-----------------|---|---|
| % ICT systems uptime                                 | Promote sound governance     | Develop ICT business continuity plan, Develop ICT disaster Recovery Plan, Develop ICT information and infrastructure security plan, develop enterprise Architecture strategy, Develop and Implement Infrastructure Management and development plan | % availability of ICT Systems and Services | New              | unofficial and thus did not perform. (Residents Scorecard Survey). Footnote for additional notes | New              | 80%          | 97.99%          | The ICT system is improved on a continuous basis and customer queries are attend to promptly. Supporting documents attached | ICT systems are updated on a continuous basis to ensure that there are no compatibility issues and to ensure that the system runs efficiently to improve service delivery |
| Unqualified corporate governance                     | Promote sound governance     |  | # total qualifications (annual)            | 4                | 2  | 1                | 1            | 100%            | Awaiting final audit.   | External auditors are auditing the 10/11 financial year and preliminary results will be obtained in December 2011   |
| # Fraud cases investigated / # fraud cases reported. | Promote sound governance     | Reduce fraud and corruption/regulations in the City  |  |                  |  |                  | 100%         | 15.25% (36/236) | 236 cases were received and on finalised living a balance of 200  | The time line to address and resolve cases has been revised to three months   |
| % of achievement City Scorecard                      | Promote sound governance     |  | % achievement on departmental scorecard    |                  |  |                  | 90%          | 72.22%          | During the SDBIP and budget adjustments, some KPIs were reduced due to budget revision.                                     | Budget and SDBIP were aligned in the 11/12 financial to avoid non-compliance and changes that impacts on performance  |

| IDP KPI   | Key Performance Areas (KPAs) | Five-year target(s)                      | KPIs                               | Achieved 2006/07 | Achieved 2007/08 | Achieved 2008/09 | Achieved 09/10 | Target 10/11 | Achieved 10/11 | Explanation of variance | Corrective measures |
|---|------------------------------|--|------------------------------------|------------------|------------------|------------------|----------------|--------------|----------------|-------------------------|---------------------|
| % achievement on Section 57 individual scorecards | Promote sound governance     | 100% As per Tshwane Strategic Objectives | % of signed performance agreements |                  |                  |                  | 100%           | 95%          | n/a            | n/a                     | n/a                 |

**SO 5 :5.1 PROMOTE SOUND GOVERNANCE; 5.2 ENSURE FINANCIAL SUSTAINABILITY and 5.3 ORGANISATIONAL DEVELOPMENT AND TRANSFORMATION**

| IDP KPI                          | Key Performance Areas (KPIs) | Five-year target(s)                        | KPIs   | Achieved 2006/07 | Achieved 2007/08 | Achieved 2008/09 | Achieved 2009/10 | Target 2010/11 | Achieved 2010/11 | Explanation for variance   | Corrective measure  |
|----------------------------------|------------------------------|--|--|------------------|------------------|------------------|------------------|----------------|------------------|--|---|
| R-value increase in revenue base | Financial sustainability     | Implementation of revenue enhancement plan | % revenue increase from other sources                |                  |                  |                  |                  | R14.4Bn        | R15.1Bn          | Total revenue realised improved.   | For solvability continue to increase revenue sources.                                   |
| % cost coverage                  | Financial sustainability     | Unqualified AG report by 2011              | Cost coverage ratio as per IDP regulations 2001      |                  |                  |                  |                  | 1.3            | 0.6              | Bank balance + ST invest / monthly fixed expense to be addressed by way of cash management interventions.          | Liquidity needs Ability to cover fixed monthly expenses with liquid assets decreased.   |
| % debt coverage                  | Financial sustainability     | Unqualified AG report by 2011              | % creditors paid within 30 days or date of statement |                  |                  |                  |                  | 19.3%          | 27.4%            | Total income – grants / debt service repayments  | Ability to pay debt service cost from own revenue improved.                             |
| % service debtors revenue        | Financial sustainability     | Unqualified AG report by 2011              | % service debtors revenue                            |                  |                  |                  |                  | 29.8%          | 22.9%            | Debtors + other debtors / revenue increased at slower rate than revenue  | Consumer + other debtors / revenue improved.  |
| % service payment level          | Financial sustainability     | Unqualified AG report by 2011              | % service payment level                              |                  |                  |                  |                  | 94%            | 105.7%           | Debtor's payment level improved.   | Consumer payment level improved.  |
| Borrowing to asset ratio         | Financial sustainability     | Unqualified AG report by 2011              | Borrowed funding of "own" capital expenditure        |                  |                  |                  |                  | 23.7%          | 32.8%            | LT Liabilities / Total Assets External loans increased with a larger % than total assets proportionally            | None required   |
| % grant dependency               | Financial sustainability     | Financial sustainability                   | % grant dependency                                   |                  |                  |                  |                  | 20%            | 16.5%            | Conditional grants recognised as revenue only when conditions are met. P11S (BRT programme) could not be approved. | Requested roll-over from NLT and NDoT of R228 m and only R100 m approved. Balance to be |

| IDP KPI   | Key Performance Areas (KPIAs)   | Five-year target(s)   | KPIs   | Achieved 2006/07  | Achieved 2007/08  | Achieved 2008/09        | Achieved 2009/10  | Target 2010/11 | Achieved 2010/11 | Explanation for variance   | Corrective measure                           |
|---|---|---|--|---|---|-------------------------|---|----------------|------------------|--|--|
| Institutional Transformation                                | Annually achieve the targets set out in the Municipality's EEE plan and achieving 100% of the EE plan by 2011               | The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan. (NKP) | 208 employees<br>38% (25.9% male) (12.2% female) of levels 1-4 are African employees<br>18 employees<br>3.3% (2.6% male) (0.7% female) of levels 1-4 are Coloured<br>16 employees<br>2.9% (2% male) (0.9% female) of levels 1-4 are Indian<br>306 employees<br>55.3% (40.0% male) (15.9% female) of levels 1-4 are White | 07/08 targets<br>75% (Roads and Stormwater)<br>75% (Housing)<br>80% (Emergency Management Services)<br>100% (Metro Police),<br>75% (City Planning)<br>75% (Agriculture and Environmental Management)<br>80% (Water and Sanitation)<br>85% (Finance)<br>70% (Corporate Services) | 15.05% of employees (levels 1 - 4) are from the designated groups<br>87 employees appointed levels 1-4; 51 are females (58.62%)<br>And 36 (41.37%) are males<br>85% (Finance)<br>70% (Corporate Services) | As per approved EE Plan | 09/10 achievements<br>2.5% of employees (levels 1-4) are from the designated groups<br>Total<br>No employees appointed levels 1-4;<br>66 of which 28 are females<br>(42.2%)<br>And 38 (57.6) are males.<br>61 (92.4%) are African<br>0 (0%) are Coloured<br>1 (1.5%) are Indian<br>4 (6.1%) are White | 20%            | 20%              | 5 vacancies filled on the 3 highest levels of management - all 5 filled from persons from the designated groups. | requested as future allocation via DofA, n/a |
| % of City of Tshwane budget spent on implementing WSP (NKP) | Achieve national norms and standards by 2011 in terms of the % budget to be spent on implementing the workplace skills plan |   |  |   |   |                         |   |                |                  |  | n/a  |

| IDP KPI | Key Performance Areas (KPIAs) | Five-year target(s) | KPIs | Achieved 2006/07  | Achieved 2007/08  | Achieved 2008/09  | Target 2010/11 | Achieved 2010/11 | Explanation for variance                             | Corrective measure |
|---------|-------------------------------|---------------------|------|---|---|---|----------------|------------------|--|--------------------|
|         |                               |                     |      | R18 024 404<br>Skills levies paid 2006/07<br>R8 729 737.55<br>Grants claimed R4,485 109.75<br>Training Budget for 2006/07 R31 598 914 | R18 024 404<br>Skills levies paid 2006/07<br>R8 729 737.55<br>Grants claimed R4,485 109.75<br>Training Budget for 2006/07 R31 598 914 | R18 024 404<br>Skills levies paid 2006/07<br>R8 729 737.55<br>Grants claimed R4,485 109.75<br>Training Budget for 2006/07 R31 598 914 |                |                  | (48% of levy paid)<br>6094 (3.8%) employees trained. |                    |

### 5.15 PERFORMANCE ON CAPITAL PROJECTS AS PER THE ADJUSTED SDBIP

| Department                               | Project name                                     | Project number | 2010/2011 planned milestone  | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed  | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation                         |
|--|--|----------------|--|----------------------------------|--|-------------------------|-----------------------|---|
| Agriculture and Environmental Management | Development of parks (backlog and new)           | 710348         | Upgrading of 17 parks  | 80%                              | 15 legacy( 2010 World Cup parks) completed for the 2 <sup>nd</sup> phase budgeted for, and building of 4 new ones still in progress (i.e. 1 <sup>st</sup> phase completed) | 4,000,000               | 3 957 833             | 63,3,62,61,19, 21,30,14,74,73 ,50,15 ,28,48,37,16 |
| Agriculture and Environmental Management | Upgrade Ga Mothakga resort                       | 710435         | Construction of road and parking infrastructure  | 99%                              | Planning for revised Master plan + stage shelter done. Construction of stage shelter completed.  | 1,500,000               | 1 499 658             | 7   |
| Agriculture and Environmental Management | Upgrade Kwaggaspruit recreation resort           | 710436         | Construction of pedestrian bridge, new swimming pool buildings, Water slide, Landscaping | 99%                              | Pedestrian bridge construction done. Swimming pool buildings done. Water slide construction completed.   | 3,426,000               | 3 425 247             | 3   |
| Agriculture and Environmental Management | Upgrade Derdepoort Resort                        | 710437         | New water slide, upgrade swimming pool infrastructure, lapas and ablution facilities.    | 99%                              | Upgrade of ablution and shelter facilities completed. Construction of water slide completed  | 1,500,000               | R3 499 192            | 5   |
| Agriculture and Environmental Management | Upgrade Rietvlei Resort (angling area)           | 710440         | New parking and walkways   | 86%                              | Upgrade of water network and ablution facilities in process.   | 3,426,000               | 999 940               | 47  |
| Agriculture and Environmental Management | Upgrade Fountains Valley Resort                  | 710441         | Upgrade Lapa facilities, bridge construction   | 98%                              | Upgrade 2 shelters done. Upgrade miniature train facilities in process.  | 4,000,000               | 3 998 537             | 59  |
| Agriculture and Environmental Management | Self-catering chalets at Rietvlei Nature Reserve | 710445         | Erect 8 new chalets  | 96%                              | Construction of 8 new chalets completed.   | 3,000,000               | 2 998 460             | 47  |
| Agriculture and Environmental Management | Upgrade facilities Groenkloof Nature Reserve     | 710446         | Upgrade ground works and infrastructure, Landscaping at picnic areas.                    | 85%                              | Upgrade roads parking done. Landscaping in process.  | 1,000,000               | 999 081               | 59  |
| Agriculture and Environmental Management | Atmospheric pollution monitoring network         | 711562         |  | 80%                              | Air Quality Index nearly completed. Bodibeng air quality station commissioned. Air Quality Inventory near completion.  | 2,000,000               | 1 482 819             | City wide   |
| Agriculture and Environmental Management | Upgrade Moretele Park Resort                     | 711581         | Upgrade ablution facilities, construction of   | 100%                             | Upgrade 2 ablutions done. Construction of 1 new ablution done. Construction of 1 new   | 2,000,000               | 2 000 000             | 6   |

| Department                               | Project name  | Project number | 2010/2011 planned milestone   | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed  | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation                              |
|--|---|----------------|---|----------------------------------|--|-------------------------|-----------------------|--|
|  |   |                | 2 new Lapas   |                                  | shelter completed.   |                         |                       |  |
| Agriculture and Environmental Management | New Soshanguve recreational resort (Klip-Kruisfontein resort)                   | 711582         | New entrance building, swimming pool portion of landscaping, construction of new lapas              | 96%                              | Landscape of swimming pool done. Construction of entrance building and maintenance infrastructure buildings done.              | 4,000,000               | 3 999 651             | 37   |
| Agriculture and Environmental Management | Upgrading of Facilities Rietvlei Nature Reserve                                 | 712051         | Upgrade existing buildings + ablution facilities, upgrade road infrastructure.                      | 86%                              | Extension of picnic area done. Construction of new ablution facility done. Upgrade of 2 shelters in process                    | 3,000,000               | 2 948 700             | 47   |
| Agriculture and Environmental Management | Fencing off Spruit Areas City Wide (Ecological Sensitive and Security Purposes) | 712736         | Fence off 13 ecological sensitive nature areas here you talk of number of sites -13                 | 49%                              | Construction of 13 sites to fence off is in process. Re-requesting of quotations on fencing in process.                        | 4,000,000               | 3 941 479             | 3,7,32,37,41,46, 47,49,53,54,56, 57 63,64,65,66 and 68 |
| Agriculture and Environmental Management | Retrofit of Municipal Buildings   | 712807         | To retrofit municipal buildings with EE and RE technologies   | 15%                              | Project to be advertised, pending specifications under the Construction regulations being prepared by OHS                      | 800,000                 | 0                     | All  |
| Agriculture and Environmental Management | Development of the Klip-Kruisfontein cemetery                                   | 712808         | Development of the Klip-Kruisfontein cemetery   | 21%                              | Grading and grubbing, erection of concrete palisade fence, earthworks 2nd entrance road.<br>Geohydrological studies completed. | 8,000,000               | 6 615 269             | Ward 90  |
| Agriculture and Environmental Management | Upgrading and Extension of Office Blocks  | 712585         | Upgrading of existing office blocks to adhere to the national building regulations                  | 0%                               | N/a  | 500,000                 | 394 230               | 3  |
| Agriculture and Environmental Management | Relocation of Pallet bank   | 712791         | Upgraded pallet bank facilities   | 0%                               | N/a  | 300,000                 | 230 675               | 3  |
| Agriculture and Environmental Management | Upgrading of the market trading system  | 712868         | Replace current card system with a tag system and introduction of two new servers to support system | 0%                               | N/a  | 1,330,000               | 1 312 517             | 3  |
| Community Safety                         | Acquisition: fire fighting vehicles   | 710564         | Purchase of fire fighting vehicles and apparatus as   | 69%                              | Ongoing Project. CB190/2011 Tender for the Supply and Delivery of Command Response   | 7,500,000               | 2,079,175.00          | Tshwane Wide   |

| Department       | Project name   | Project number | 2010/2011 planned milestone   | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation   |
|------------------|--|----------------|---|----------------------------------|---|-------------------------|-----------------------|-----------------------------|
|                  |  |                | prioritised and approved by the Chief Fire Officer  |                                  | Units was Advertised and closed 14/02/2011. Tender for the Supply and Delivery of Grass Fire Units was approved at the Bid Specification meeting at 17/02/2011. Tender will be advertised and date of advertisement still to be determined. |                         |                       |                             |
| Community Safety | Refurbishment of Fire Fighting Vehicles                                    | 711454         | Refurbishment of fire fighting vehicles and apparatus as prioritised and approved by the Chief Fire Officer. 4 x Incident Command Vehicle project will first be concluded, thereafter priorities as identified will commence. | 100%                             | Payment submitted for Completion of BA Trailer.   | 2,000,000               | 1 989 938             | Tshwane Wide                |
| Community Safety | Equipping of current Disaster Operations Centre                            | 711922         | Procure equipment of the Disaster Operations Centre   | 100%                             | Three-year project, which started 08/09 fin year. This will be the last year to finalise the project.   | 2,800,000               | 2,718,358.77          | Central West and North West |
| Community Safety | Establishment of Community Safety Offices for North West Region (Region 1) | 712022         | To construct a new Regional Community Safety Dept building in the North West Region (Mabopane)  | 100%                             | Multiyear project. Construction in process according to project schedule.<br><br>Project Complete   | 12,500,000              | 12,157,199.14         | 19,20,21,22,30,33,34,35,39  |
| Community Safety | The Establishment of Network Infrastructure (IT and CCTV)                  | 712345         | To ensure IT network connections for the CS Dept  | 100%                             | Invoices submitted during June 2011. Project milestones achieved for the 2011 financial year.   | 2,944,000               | 2,847,867.15          | Tshwane wide                |
| Community Safety | Development/Construction of Tshwane Overload Control Programme             | 712347         | To construct a new Weigh Bridge facility at Akasia, Klerksdorp  | 100%                             | Multiyear project. Construction in process according to project schedule. Project milestones achieved for the 2011 financial year.<br><br>Project complete  | 3,800,000               | 3,093,922.50          | Tshwane wide                |
| Community Safety | Upgrading of the Departmental One-Stop Client Centre at Licensing Centres  | 712706         | Upgrading/Refurbishment of all one stop Licensing Centres throughout Tshwane  | 100%                             | Board quotes were recommended and orders submitted to contractors to commence with work during May and June 2011.   | 1,500,000               | 1,280,085.62          | Tshwane Wide                |

| Department             | Project name  | Project number | 2010/2011 planned milestone  | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation                     |
|------------------------|---|----------------|--|----------------------------------|---|-------------------------|-----------------------|---|
| Community Safety       | Capital Funded from Operating                       | 712752         | Supply and delivery of non capital items more than 10,000.00 each according to the needs of the Metro Police Service | 65%                              | Tender CB6/2011 for the Supply and Delivery of Shotguns still to be scheduled for technical evaluation. Waiting for feedback from top management.   | 1,480,000               | 131 422               | Tshwane Wide                                  |
| Community Safety       | Capital Funded from Operating                       | 712765         | Supply and delivery of non capital items more than 10,000.00 each according to the needs of the Metro Police Service | 100%                             | Breathing Apparatus' Equipment and Thermal Cameras delivered and invoiced. Service Provider still to finalise the installation of Network Infrastructure at various stations.                 | 3,486,900               | 3,467,507.63          | Tshwane Wide                                  |
| Energy and Electricity | Upgrading/Strengthening of Existing Network Schemes | 710005         | Upgrading of existing networks   | 98%                              | 340 instructions to upgrade the network completed   | 5,000,000               | 4,674,130             | Ward 1 - 76                                   |
| Energy and Electricity | Payments to Townships for Reticulated Towns         | 710006         | Develop new townships by providing payments to developers  | 100%                             | 13 payments made to developers for new township developments  | 3,000,000               | 2,999,691             | Ward 1 - 76                                   |
| Energy and Electricity | Hatherley/Mamelodi substations and lines            | 710153         | Building of substation to provide capacity   | 99%                              | Substation almost complete only scada and testing outstanding   | 15,000,000              | 14,998,879            | Ward 40                                       |
| Energy and Electricity | Sub transmission equipment refurbishment            | 710163         | Refurbishing of transmission equipment   | 98%                              | Project completed, circuit breakers purchased and installed.  | 10,000,000              | 9,867,099             | Ward 1/3/4/7/37/42/5/1/56/61                  |
| Energy and Electricity | 11kv Panel Extension in Substations                 | 710164         | Provision of 11 KV panels extensions in substations  | 99%                              | Manufacturing completed and 11kv panels tested.   | 5,500,000               | 5,497,653             | Ward 40                                       |
| Energy and Electricity | Replacement of Obsolete and Dangerous Switchgear    | 710176         | Replacing old protection panel with new ones   | 100%                             | Upgraded more than 29 L/T area's and are completed  | 14,000,000              | 13,991,490            | Ward 1 - 76                                   |
| Energy and Electricity | Low Voltage Network within Towns                    | 710177         | Augmenting low voltage networks  | 100.00%                          | Replace more than 24 units Tshwane wide   | 16,000,000              | 15,869,918            | Ward 1 - 76                                   |
| Energy and Electricity | Electricity for All                                 | 710178         | Electrification of low-cost housing through provision of network infrastructure                                      | 95.00%                           | 4599 connections have been completed to date. 1114 Soshanguve ext 13 (Ward 37, North West Region). 436 in Mabopane (Ward 19, North West. 600 in Brazzaville (Ward 48, Central Western Region) | 71,000,000              | 69,520,730            | Ward 37, North West Region; Ward 19; Ward 48, |

| Department             | Project name  | Project number | 2010/2011 planned milestone   | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation  |
|------------------------|---|----------------|---|----------------------------------|---|-------------------------|-----------------------|--|
| Energy and Electricity | Electricity for All   | 710178         | Electrification of low-cost housing through provision of network infrastructure | 95.00%                           | 4599 connections have been completed to date. 1114 Soshanguve ext 13 (Ward 37, north west region), 436 in Mabopane (Ward 19, North West. 600 in Brazzaville (Ward 48, central western region) | 55,000,000              | 53,196,354            | Ward 37, North West Region; Ward 19; Ward 48,                      |
| Energy and Electricity | Communication upgrade: optical fibre net                        | 710178         | Upgrade the optical fibre network   | 98.00%                           | 5 km duct orange pipe sleeve ordered and installed.   | 1,200,000               | 1,129,724             | Ward 1 - 76  |
| Energy and Electricity | Strengthening of 11kv Cable Network                             | 710325         | To strengthen the cable network for capacity increase                           | 98%                              | More than 7, 3 km Cables were installed up Until June 2011.   | 12,000,000              | 11,839,104            | Ward 1 - 76  |
| Energy and Electricity | Strengthening of 11kv Overhead Network                          | 710480         | To strengthen the overhead cable network for capacity increase                  | 97%                              | Overhead cables installed   | 12,300,000              | 10,777,428            | Ward 1 - 76  |
| Energy and Electricity | Substations   | 710481         | Refurbishment of substations  | 98%                              | Upgraded lines in Fortsig/Atteridgeville, Wonder boom and Rosslyn. Completed upgrading of Eersterust substation   | 2,100,000               | 2,080,730             | Ward 1 - 76  |
| Energy and Electricity | Tshwane public lighting programme                               | 710484         | Provide streetlights and high masts lights in Tshwane                           | 100%                             | Installed 1797 streetlights   | 30,300,000              | 28,233,926            | Wards, 22;49;26;25;4; 20;21;37;31;66 ;57;61;7;13;73, 74;49;14;4;34 |
| Energy and Electricity | Tshwane public lighting programme                               | 710556         | Provide streetlights and high masts lights in Tshwane                           | 100%                             | Installed 54 high masts   | 20,000,000              | 18,574,274            | Wards= 48;14;49;26;36 ;49;40;31;32;4 9;11                          |
| Energy and Electricity | Network control system extension                                | 711706         | Extension of network control system   | 80.00%                           | 5 High Sites Under Construction (Tetra Project). Busy with Scada Risk Mitigation Contract Compilation   | 9,900,000               | 9,716,891             | Ward 1   |
| Energy and Electricity | Pre- paid electricity   | 711862         | Provide pre-paid meters and replacements of conventional system                 | 100.00%                          | Capex funds have been spent on purchasing the prepaid meters; all the meters have been delivered and busy with installation.  | 32,000,000              | 31,998,903            | Ward 1-76  |
| Energy and Electricity | Replacement of Obsolete and Non Functional Protection Equipment | 712006         | Replacing old protection panel with new ones                                    | 100%                             | Contractor on site: Eldoreign; 4 panels commissioned and tested to SCADA. Hartebeespoort: LV cabling finished. Panels on site   | 1,000,000               | 999,907               | Ward 7; 70   |

| Department             | Project name   | Project number | 2010/2011 planned milestone  | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed  | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation  |
|------------------------|--|----------------|--|----------------------------------|--|-------------------------|-----------------------|--|
| Energy and Electricity | New bulk electricity infrastructure                        | 712279         | Provide bulk electricity capacity  | 80%                              | Construction in process and two substations to be commissioned.  | 195,000,000             | 194,995,410           | Ward 2, 4, 10, 40, 50, 57  |
| Energy and Electricity | New connections  | 712483         | Provide new connections  | 100.00%                          | 1531 Residential and 173 Business connections completed towards a year end target of 1700 Res. and 100 Business connections                    | 20,000,000              | 19,109,956            | Wards=2;4;36;37;5;49;50;1;3;7;55;56;58;60;68;48;57;61;64;65;66;69;70;23;40;41;42;43;44;45;46;47;52;53;54;50;34;51;59 |
| Energy and Electricity | Electrification of Winterveldt                             | 712492         | Electrification of low-cost housing through provision of network infrastructure  | 100%                             | 75% of the Medium Voltage and Low Voltage infrastructure for the remaining connections has been completed and 507 connections achieved in June | 10,000,000              | 9,977,592             | Ward 9, 12, 24   |
| Energy and Electricity | New depot (Soshanguve)                                     | 712493         | Building of a new Depot  | 100 % completed                  | Materials purchased and contractor on site.  | 10,000,000              | 9,986,110             | Ward 25  |
| Energy and Electricity | Stand by quarters  | 712601         | Refurbishing of standby quarters   | 15.00%                           | Consultants appointed and construction tender completed.   | 3,500,000               | 166,536               | Ward 4   |
| Energy and Electricity | Capital Funded from Operating                              | 712759         | Purchasing of equipments / items above 10 000 limit  | 900%                             | Purchased furniture and other equipment as and when a need arises  | 2,000,000               | 1,793,338             |  |
| Energy and Electricity | Solar water geysers  | 712688         | Replacement of 125W MV street lights luminaries with 70W HPS luminaries and Replacement of incandescent traffic lights bulbs with leds | 88%                              | 17 418 of the 20 000 Streetlights have been retrofitted and 46 of the 46 Traffic light intersection retrofitted                                | 22,000,000              | 20,164,120            | Ward 1,2,3,4,5,51,52,53,55,56,62,63,68,71,72   |
| Energy and Electricity | Replacement of Obsolete Protection and Testing Instruments | 712861         | Replacing old protection and testing instruments with new ones   | 100.00%                          | 94 of material delivered   | 1,000,000               | 935,051               | Ward 60  |
| Energy and Electricity | Rooiwal power station refurbishment                        | 712862         | Refurbishment of equipments in the power station   | 14%                              | Equipment ordered and installed  | 7,000,000               | 947,674               | Ward 49  |
| Energy and Electricity | Automated Meter reading                                    | 712863         | Installation of Automated meter reading  | 0.00%                            | Project transferred to the CIO office  | 15,000,000              | 14,853,447            |  |

| Department                             | Project name                              | Project number | 2010/2011 planned milestone                                      | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation |
|--|---|----------------|--|----------------------------------|---|-------------------------|-----------------------|---------------------------|
| City Planning and Economic Development | Mamelodi rondavels                        | 710582         | Upgrading Mamelodi rondavels                                     | 100%                             | Site has been cleared, irrigation system repaired and water reconnected. In March 2011, all the old roofing structures were demolished and the entire infrastructure that did not form part of the heritage site was removed. In April 2011, the house that was on site (and not forming part of the heritage buildings) was demolished (the house was not demolished in March 2011 with the other structures, as the Legal Services Division's go ahead was awaited, as the previous owner wanted reimbursement from the municipality for the cost of building the house). Cleaning of site and removal of rubble from the demolition work done in April 2011. The old roofing structures were removed in May 2011. In June 2011, the following work was done on the Rondavels: repair of beam filling, repair of brickwork and screeds, installation of new timber roof structures and installation of new thatch roof. | 1,500,000               | 1,465,845             | 6                         |
| City Planning and Economic Development | Tourism information office                | 710586         | Development of tourism information dissemination facilities      | 100%                             | Water pipes and electricity connection completed, floor tiling, ceiling and light fittings installed, parking area paved, Eskom electricity connected, three lightning conductors were installed, lights fitted and partitioning of the information office completed.   | 1,000,000               | 407,635               | 32                        |
| City Planning and Economic Development | Arts and craft exhibition stalls          | 710587         | Development of an arts and craft manufacturing and selling point | 100%                             | The project as originally planned has been completed; however, railings/balustrades were installed for the amphitheatre in addition to the original plans.  | 2,000,000               | 1,962,985             | 32                        |
| City Planning and Economic Development | Marketing and trading stalls - ga-rankuwa | 712298         | Erection of trading facilities                                   | 100%                             | The building plans were approved and the ground works commenced. The existing fence was removed in March 2011   | 2,000,000               | 1,984,691             | 32                        |

| Department                                      | Project name   | Project number | 2010/2011 planned milestone  | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation                              |
|---|--|----------------|--|----------------------------------|---|-------------------------|-----------------------|--|
|   |  |                |  |                                  | (in order to construct the stalls). A new sewerage line was constructed, new office and ablution facilities built and the erection of a new brick wall has commenced and was finalised. The construction of the eating stalls was completed. Paving around the eating stalls has been completed   |                         |                       |  |
| Tsosoloso Programme: Office of the City Manager | Non- Motorised Transport Project along Tsamaya and Hinterland - Mamelodi |                | Neighbourhood Community Development – joint initiative with Roads and Stormwater | 52%                              | The building plans were approved and the ground works have commenced. The existing fence was removed in May 2011 (in order to construct the stalls). A new sewerage line was constructed, new office and ablution facilities built and the erection of a new brick wall has commenced.  | R23, 6 million          |                       |  |
| City Planning and Economic Development          | Capital Funded from Operating (City Planning and Development)            | 712751         | Purchase of Assets > R10 000   | 100%                             | Two sets of equipment already procured. Quotes on a boardroom table and two workstations were received in March 2011. Two purchase orders issued to the service providers, awaiting delivery. Delivery and payment took place in June 2011.   | 123,000                 | 91,499                | City Planning asset replacement (no wards applicable). |
| City Planning and Economic Development          | Marketing and trading stalls - Saulsville                                | 712792         | Erection of trading facilities   | 100%                             | The building plans were approved, the land issue was resolved for phase 2 and the contractors commenced to install the security gates. The excavation and demolition of existing fencing was started in March 2011. The installation of the security gates were completed, foundation for the trading stalls completed and commencement of the erection of the boundary wall. Paving and steel roofs completed; four water troughs erected and a steel entrance gate was constructed. | 2,000,000               | 1,988,130             | 63   |
| City Planning and Economic Development          | Survey equipment roll out (Technology                                    | 712844         | Replace and purchase of surveying/land survey                                    | 100%                             | All processes completed, delivery took place in March 2011 and payment  | 900,000                 | 782,936               | City Planning asset replacement (no wards              |

| Department                             | Project name                                      | Project number | 2010/2011 planned milestone  | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation                              |
|--|---|----------------|--|----------------------------------|---|-------------------------|-----------------------|--|
|  | replacement)                                      |                | equipment  |                                  | processed.  |                         |                       | applicable).   |
| City Planning and Economic Development | Plan machine A0 (development information centres) | 712845         | Purchase of plan printing machine for a development information centre   | 100%                             | All processes completed, appointment letter received from Supply Chain Management staff, service provider appointed, purchase order provided to the service provider. Delivery and payment took place in June 2011. | 3,500,000               | 2,018,366             | City Planning asset replacement (no wards applicable). |
| Sport, Recreation, Arts and Culture    | Stanza Bopape library                             | 710102         | Construction of a medium size library facility with study facilities, activity rooms, reference and children's area. | 40%                              | Contractor appointed and construction commenced. 12 months construction period.   | 8,000,000               | 0                     | 16   |
| Sport, Recreation, Arts and Culture    | Mabopane library (Odi)                            | 710104         | Construction of a medium size library facility with study facilities, activity rooms, reference and children's area. | 40%                              | Contractor appointed and construction commenced. 12 months construction period.   | 8,000,000               | 775,820               | 21   |
| Sport, Recreation, Arts and Culture    | Olievenhoutbosch multi-purpose sport              | 711432         | Construction of a multi-purpose sport and recreation facility catering for different codes on different levels.      | 5%                               | Land availability and zoning resolved. Project to be implemented in next financial year.  | 0                       | 0                     | 48   |
| Sport, Recreation, Arts and Culture    | Solomon Mahlangu freedom square - cultural centre | 711439         | Construction of a culture and heritage facility catering for different culture and heritage needs.                   | 40%                              | Master plan previously completed but need to be revised. Report in process to appoint heritage architects.  | 3,000,000               | 0                     | 38   |
| Sport, Recreation, Arts and Culture    | Upgrading of museums                              | 711442         | Restoration work at City Hall, Fort Klapperkop and Melrose House.  | 100%                             | Restoration work completed at 3 heritage facilities.  | 2,200,000               | 1,494,778             | 1  |
| Sport, Recreation, Arts and Culture    | Lotus gardens multi-purpose sport facility        | 712260         | Construction of a multi-purpose sport and recreation facility catering for different                                 | 40%                              | Detail plan completed. Tender advertised and closed. Contractor to be appointed. Project to be phased over 3 year's   | 5,000,000               | 993,612               | 7  |

| Department                          | Project name                                     | Project number | 2010/2011 planned milestone  | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed  | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation   |
|-------------------------------------|--|----------------|--|----------------------------------|--|-------------------------|-----------------------|---|
|                                     |  |                | codes on different levels.   |                                  | period.  |                         |                       |   |
| Sport, Recreation, Arts and Culture | Hammanskraal cultural centre                     | 712397         | Construction of a culture and heritage facility catering for different culture and heritage needs.           | 100%                             | Feasibility Study completed and outcomes waited on viability of culture centre in the Hammanskraal area.     | 700,000                 | 558,000               | 73  |
| Sport, Recreation, Arts and Culture | Upgrading of HM Pitje Stadium                    | 710692         | Upgrading of existing Sport Stadium – new rails, intermediate steps and paving.                              | 100%                             | Completion of installation of rails, intermediate steps and paving sections.                                 | 2,400,000               | 2,020,080             | 67  |
| Sport, Recreation, Arts and Culture | Upgrading Temba community library                | 710103         | Upgrade of the electrical reticulation and smaller construction works e.g. Paving, plastering and new doors. | 100%                             | Upgrade of the electrical reticulation and smaller construction works e.g. Paving, plastering and new doors. | 500,000                 | 335,535               | 75  |
| Health and Social Development       | Extension of Stanza Bopape Clinic                | 710201         | To extend Stanza Bopape Clinic   | 100%                             | Building completed and handed back to Health and Social. Clinic operational                                  | 4,706,800               | 4,700,436.61          | 17  |
| Health and Social Development       | Extensions lotus gardens clinic                  | 710203         | To extend Lotus Gardens Clinic   | 100%                             | Building completed and handed back to Health and Social. Clinic operational                                  | 7,605,435               | 6,887,341.97          | 7   |
| Health and Social Development       | Upgrade Workflow System for Health-Erp           | 712028         | To procure servers and switches  | 100%                             | Servers and switches procured  | 13,640,544              | 12,761,460.29         | 1,3,4,7,17,18,28, 40,41,43,45,48, 60,61,62,6465, 66,68,69,71,72,    |
| Health and Social Development       | Upgrading of Clinic Dispensaries; Pretorius Park | 712278         | To extend and upgrade the dispensaries; To appoint consultants   | 100%                             | Consultants appointed.   | 147,221                 | 147162.70             | 45  |
| Health and Social Development       | Capital Funded from Operating                    | 712756         | To acquire assets above R10 000  | 50%                              | Bulk Vaccine fridges procured  | 216,000                 | 94,450                | 48,61,64,66   |
| Corporate and Shared Services       | Upgrade of It Infrastructure                     | 710200         | Upgrade of It Infrastructure   | Ongoing                          | Infrastructure upgrade as planned  | 5,000,000               | 4,965,394             | All wards as this infrastructure provides services across the board |
| Corporate and Shared Services       | One integrated transaction processing            | 710213         | Continuous upgrade of SAP and  | Ongoing                          | Projects on track as per planning and requests   | 30,000,000              | 28,920,338            | All wards as this infrastructure                                    |

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|-------------------------------|--|----------------|--|----------------------------------|---|-------------------------|-----------------------|--|
|                               | system                                   |                | integration of with other systems to ensure that the SAP meets the ongoing needs of all levels in City of Tshwane.               |                                  |   |                         |                       | provides services across the board   |
| Corporate and Shared Services | Computer equipment deployment (printers) | 710268         | Replacement of old computer equipment and installation of new computer equipment for City of Tshwane Users.                      | Ongoing                          | Equipment delivered as per user requests, new tender of Desktop equipment in process  | 12,232,000              | 11,134,308            | Difficult to determine as the equipment is deployed to users in the departments according to their needs |
| Corporate and Shared Services | Integration telecommunication equipment  | 710341         | Replacement of outdated telecoms equipment at non-networked sites and integration of these sites into Councils 358 prefix system | Ongoing                          | Council Voice upgrade and deployment of new Voice Loggers were done during June of 2011, bringing Councils network up to date with the current market deployed infrastructure | 5,000,000               | 4,752,816             | All wards as this infrastructure provides services across the board                                      |
| Corporate and Shared Services | Implementation of Storage Area Network   | 710344         | Provision of server and central storage capacity for City of Tshwane systems and users.  | Ongoing                          | Equipment Delivered. More in process to be purchased  | 10,000,000              | 9,813,390             | All wards as this infrastructure provides services across the board                                      |
| Corporate and Shared Services | Vehicles                                 | 710869         | Procurement of Vehicles  | 0.00%                            | Tender process completed  | 5,000,000               |                       | Not applicable   |
| Corporate and Shared Services | GIS                                      | 712446         |  |                                  | Projects on track as per user requests  | 1,000,000               | 946,293               |  |
| Corporate and Shared Services | Contact Centre for the North             | 712484         | Establishment of a new Call Centre   | N/A                              | N/a   | 3,000,000               | 2,812,000             | 84   |
| Corporate and Shared Services | E-Initiatives supporting the Smart City  | 712554         | Continuous implementation of ICT projects in support of the Smart City   | Ongoing                          | Projects on track: Tshwane Website delivered  | 6,000,000               | 5,362,070             |  |
| Corporate and Shared Services | ASD regional offices                     | 712603         | N/a  | 35.00%                           | Upgrades done on facilities in all 5 regions  | 5,000,000               |                       | 18,26,43,49,60 ,61,62,66,68  |
| Corporate and Shared Services | Enterprise project management            | 712739         | Part of E-initiatives  |                                  |   | 200,000                 |                       |  |

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|-------------------------------|--|----------------|--|----------------------------------|---|---|---|---------------------------------|
| Corporate and Shared Services | UPS and Generators for Critical ICT Systems                                | 712741         | Provision of UPS for City of Tshwane systems.      | Ongoing                          | Legal issues to be clarified  | 500,000   | 441,052   |                                 |
| Corporate and Shared Services | Development of a Transaction based E-Commerce Portal for City of Tshwane   | 712742         |  |                                  | Project part of project 712554  | 200,000   |   |                                 |
| Corporate and Shared Services | Replacement/Moderisation of all the Lifts within various Council Buildings | 712743         |  | Project on track                 | 8,000,000   | Top management non feedback   | Changed projects from Munitoria to Pieter Delport Centre                          | 1,60                            |
| Corporate and Shared Services | Capital Funded from Operating  | 712753         |  | N/A                              | 3,000,000   | Items are on order and expenditure will start reflecting within the months to follow. | Items of Tshwane Academy must go out on tender. This process is almost completed. | Not applicable                  |
| Transport and Roads           | Contributions: Services for Township Development                           | 710115         | Contributions: Services for Township Development   | 89%                              | New bulk services for new Townships   | 12,668,000  | 11,313,057  | 5, 50, 2, 40, 47, 65, 65, 4, 59 |
| Transport and Roads           | Essential/Unforeseen storm water drainage problems                         | 710116         | Essential/Unforeseen storm water drainage problems | 98%                              | 0.2km closed storm water and 0.3km open storm water   | 6,705,000   | R 6,572,604   | 1, 42                           |
| Transport and Roads           | Apies river: canal upgrading, Pretoria central                             | 710117         | Apies river: canal upgrading, Pretoria central     | 76%                              | Repairing canal floors and walls  | 1,000,000   | R 755,278   | 59                              |
| Transport and Roads           | Concrete canal: Sam Malema Road, Winterveldt                               | 710128         | Concrete canal: Sam Malema Road, Winterveldt       | 21%                              | Phase 1 - Repair of canal Sam Malema. Including silt removal.   | 130,000   | R 27,628  | 9                               |
| Transport and Roads           | Major storm water system, Mamelodi X 8                                     | 710129         | Major storm water system, Mamelodi X 8             | 85%                              | Planning and Designing for a storm water system in Mamelodi x8- Preliminary Designs   | 400,000   | R 341,801   | 17                              |
| Transport and Roads           | Storm water system in Eersterust X 2                                       | 710139         | Storm water system in Eersterust X 2               | 93%                              | Approximately 3.5 km Closed S/W already completed   | 3,000,000   | 2,782,344   |                                 |
| Transport and Roads           | Major storm water systems: Klip-Kruisfontein                               | 710143         | Major storm water systems: Klip-Kruisfontein       | 100%                             | Detail designs for Soshanguve Block XX North and South have been completed. Detail designs for Soshanguve A and East are 10% complete. Submit BAR to GDARD by 15 June 2010. | 2,500,000   | 2,499,362   | 90                              |

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|---------------------|---|----------------|---|----------------------------------|--|-------------------------|-----------------------|---------------------------------------|
|                     |   |                |   |                                  | Commence with WULA applications.   |                         |                       |                                       |
| Transport and Roads | Major storm water systems: Klip-Kruisfontein        | 710143         | Major storm water systems: Klip-Kruisfontein        | 100%                             | Detail designs for Soshanguve Block XX North and South have been completed. Detail designs for Soshanguve A and East are 10% complete. Submit BAR to GDARD by 15 June 2010. Commence with WULA applications. | 6,000,000               | 5,996,881             | 90                                    |
| Transport and Roads | Rehabilitation of storm water systems and sidewalks | 710220         | Rehabilitation of storm water systems and sidewalks | 97%                              | No Budget for 2009/10  | 11,200,000              | 10,815,706            | 13, 60 and 82                         |
| Transport and Roads | Replacement of Traffic Signs                        | 710221         | Replacement of Traffic Signs                        | 100%                             | N/a  | 42,597,000              | 42,596,807            | 1 to 105                              |
| Transport and Roads | Replacement of Traffic Signs                        | 710221         | Replacement of Traffic Signs                        | 100%                             | 4500 Traffic signs   | 23,738,000              | 23,737,996            | 1 to 105                              |
| Transport and Roads | Rehabilitation of Bridges                           | 710223         | Rehabilitation of Bridge                            | 95%                              | No Budget for 2009/10  | 300,000                 | 286,174               | 58                                    |
| Transport and Roads | Essential and unforeseen road improvements          | 710226         | Essential and unforeseen road improvements          | 20%                              | Master plans Completed for prioritisation of measures  | 2,000,000               | 406,924               | 3, 42, 45, 46, 53, 54, 57, 58, 61, 70 |
| Transport and Roads | Parking Bays / Bays at Schools                      | 710227         | Parking Bays / Bays at Schools                      | 47%                              | Master plans Completed for prioritisation of measures  | 2,000,000               | 948,533               | 53,60,70                              |
| Transport and Roads | Cycle and Pedestrian Paths for Tshwane              | 710228         | Cycle and Pedestrian Paths for Tshwane              | 68%                              | Master plans Completed for prioritisation of measures  | 3,120,000               | 2,110,553             | 6, 28, 48, 52, 55, 64                 |
| Transport and Roads | Traffic Calming and Pedestrian Safety for Tshwane   | 710229         | Traffic Calming and Pedestrian Safety for Tshwane   | 90%                              | Master plans Completed for prioritisation of measures  | 3,500,000               | 3,161,210             | 1 to 105                              |
| Transport and Roads | Traffic lights/traffic signal system                | 710395         | Traffic lights/traffic signal system                | 94%                              | 3 Robot systems  | 400,000                 | 376,888               | 70, 69, 45, 42, 3 and 51              |
| Transport and Roads | Traffic Signals to Meet Legal Requirements          | 710398         | Traffic Signals to Meet Legal Requirements          | 91%                              | 3 Robot systems  | 2,000,000               | 1,811,513             | 4, 11, 55, 66, 57, 40, and 3          |
| Transport and Roads | Extension of Atcon Traffic Control System           | 710399         | Extension of Atcon Traffic Control System           | 100%                             | 5 Corridors upgraded   | 500,000                 | 499,493               | 11, 55, 66, 40, 57, 3 and 4           |
| Transport and Roads | Matenteng Main Transport Route, Stink water         | 710597         | Matenteng Main Transport Route, Stink               | 94%                              | Relocation of residents  | 1,610,000               | 1,510,306             | 14, 95                                |

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|---------------------|--|----------------|--|----------------------------------|---|-------------------------|-----------------------|--|
|                     |  |                | water  |                                  |   |                         |                       |  |
| Transport and Roads | Matenteng Main Transport Route, Stink water  | 710597         | Matenteng Main Transport Route, Stink water  | 68%                              |   | 100,000                 | 67,650                |  |
| Transport and Roads | Shova Kalula bicycle project                 | 710609         | Shova Kalula bicycle project                 | 100%                             | 80% of the Non Motorised Transport Master plan for the City of Tshwane completed                                    | 5,500,000               | 5,494,236             | 18,23,28 and 48  |
| Transport and Roads | Major collector road: Soshanguve block dd/cc | 710901         | Major collector road: Soshanguve block dd/cc | 16%                              | N/a   | 1,000,000               | 155,347               |  |
| Transport and Roads | Rehabilitation of Roads                      | 710902         | Rehabilitation of Roads                      | 100%                             | Rehabilitate 53 km of road  | 12,800,000              | 12,799,111            | 1,3,7,55,56,58, 60,59, 48,57,61,64,65 ,66,69,70, 48,57,61,64,65 ,66,69 and70 |
| Transport and Roads | Rehabilitation of roads                      | 710902         | Rehabilitation of roads                      | 100%                             | Rehabilitate 52 km of road  | 8,119,000               | 8,107,256             | 4,20,24,29,30, 39, 5,50,73,74,75   |
| Transport and Roads | Real Rover Road to Serapeng Road             | 710936         | Real Rover Road to Serapeng Road             | 97%                              | No work done in the previous year   | 60,000                  | 58,448                | 18 and 40  |
| Transport and Roads | Access Road to Mamelodi X18 (K54)            | 710937         | Access Road to Mamelodi X18 (K54)            | 0%                               |   | 185,000                 | 0                     | 10, 17, 99   |
| Transport and Roads | Doubling of Lynnwood Road                    | 710939         | Doubling of Lynnwood Road                    | 0%                               |   | 200,000                 | 0                     |  |
| Transport and Roads | Block W - storm water drainage               | 71164          | Block W - storm water drainage               | 88%                              | Planning and designing for a storm water system in Soshanguve Block W- preliminary designs                          | 1,150,000               | 1,008,876             | 25   |
| Transport And Roads | Magriet Monamodi storm water system          | 711262         | Magriet Monamodi storm water system          | 58%                              | Planning and designing for a storm water system in Magriet Monamodi- 100% preliminary designs and 90% final designs | 1,000,000               | 584,758               | 73, 74   |
| Transport and Roads | Major s/ water drainage system: matenteng    | 711264         | Major s/ water drainage system: matenteng    |                                  | Arbitration in process  | -                       | 0                     | 13, 14, 95   |
| Transport and Roads | Hartebeest Spruit: canal upgrading           | 711265         | Hartebeest Spruit: canal upgrading           | 69%                              | Approximately 0.4 km open S/W completed   | 19,000,000              | 13,112,552            | 42, 56   |
| Transport And Roads | Moreleta Spruit: flood structure             | 711267         | Moreleta Spruit: flood structure             | 97%                              | Moreleta Spruit Flood Structure. Land fill, concrete structure and landscaping.                                     | 2,581,000               | 2,513,015             | 45 and 47  |

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|---------------------|--|----------------|---|----------------------------------|--|-------------------------|-----------------------|-------------------------------|
| Transport and Roads | Montana Spruit: channel improvements                   | 711268         | Montana Spruit: channel improvements              | 100%                             | Planning and Designing for the upgrading of Montana Spruit Channel, storm water system along N1 and Breedt Street  | 850,000                 | 849,773               | 5                             |
| Transport and Roads | Major s/water drainage system: Majaneng                | 711273         | Major s/water drainage system: Majaneng           |                                  | Planning and Designing for a major storm water system in Majaneng, Kudube Unit 3- 10 % preliminary designs         | 0                       | 0                     | 75                            |
| Transport and Roads | Major s/water drainage system: Majaneng                | 711273         | Major s/water drainage system: Majaneng           | 99%                              | Planning and Designing for a Major storm water system in Majaneng, Kudube Unit 3- 10 % preliminary designs         | 3,000,000               | 2,978,166             | 75                            |
| Transport and Roads | Major s/water drainage channels: ga-rankuwa            | 711284         | Major s/water drainage channels: ga-rankuwa       | 99%                              | Detailed designs, tender processes and construction of 1.94km or roads and related storm water drainage systems.   | 4,500,000               | 4,448,064             | 30,31,32                      |
| Transport and Roads | Major s/water drainage channels: ga-rankuwa            | 711284         | Major s/water drainage channels: ga-rankuwa       | 93%                              | Detailed designs, tender processes and construction of 1.94 km or roads and related storm water drainage systems.  | 8,000,000               | 7,433,433             | 30,31,32                      |
| Transport and Roads | Storm water drainage systems in Ga-Rankuwa View        | 711285         | Storm water drainage systems in Ga-Rankuwa View   |                                  | Detailed designs, tender processes and construction of 0.36 km or roads and related storm water drainage systems.  | 0                       | 0                     | 30,31,32                      |
| Transport and Roads | Storm water drainage systems in Ga-Rankuwa View        | 711285         | Storm water drainage systems in Ga-Rankuwa View   | 89%                              | Detailed designs, tender processes and construction of 3.40 km or roads and related storm water drainage systems.  | 12,500,000              | 11,117,139            | 30,31,32                      |
| Transport and Roads | Doubling of Simon Vermooten                            | 711800         | Doubling of Simon Vermooten                       | 0%                               |  | 100,000                 | 0                     | 41,43,85,86                   |
| Transport and Roads | Internal roads: northern areas                         | 711863         | Internal roads: northern areas                    | 96%                              | Detailed designs, tender processes and construction of 15.09 km or roads and related storm water drainage systems. | 42,040,000              | 40,319,591            | 19, 20, 21, 22, 30, 31 and 32 |
| Transport and Roads | Internal roads: northern areas                         | 711863         | Internal roads: northern areas                    | 98%                              | Detailed designs, tender processes and construction of 11.28 km or roads and related storm water drainage systems  | 46,466,000              | 45,549,030            | 19, 20, 21, 22, 30, 31 and 32 |
| Transport and Roads | Flooding Backlogs: Stink water and New Eersterust Area | 712219         | Flooding Backlogs: Stink water and New Eersterust | 97%                              |  | 8,000,000               | 7,732,530             | 13,14                         |

| Department          | Project name   | Project number | 2010/2011 planned milestone                                  | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation         |
|---------------------|--|----------------|--|----------------------------------|---|-------------------------|-----------------------|-----------------------------------|
|                     |  |                | Area   |                                  |   |                         |                       |                                   |
| Transport and Roads | Flooding backlogs: Sosh and Winterveldt area                 | 710220         | Flooding backlogs: Sosh and Winterveldt area                 | 100%                             | Detail designs for Soshanguve Problem 155 and 157 completed. Detail designs for Soshanguve Problem 150 are 35% complete. Rod for Problem 150 and 157 approved. BAR for Problem 155 expected to be submitted to GDARD by 30 September 2010.    | 1,850,000               | 1,847,929             | 11, 94                            |
| Transport and Roads | Flooding backlogs: Mabopane area                             | 712221         | Flooding backlogs: Mabopane area                             | 83%                              | Detailed designs, tender processes and construction of 2.38 km or roads and 2km closed storm water drainage systems.  | 3,300,000               | 2,748,709             | 19,20,21,22                       |
| Transport and Roads | Flooding backlogs: Mabopane area                             | 712221         | Flooding backlogs: Mabopane area                             | 96%                              | Detailed designs, tender processes and construction of 1.26 km or roads and 1km closed storm water drainage systems.  | 5,200,000               | 4,989,439             | 19,20,21,22                       |
| Transport and Roads | Flooding backlogs: Mamelodi, Eersterust and pta eastern area | 712223         | Flooding backlogs: Mamelodi, Eersterust and pta eastern area | 82%                              | Detail designs for Frank Street, Tsomo/Sibande and Hinterland completed. Rod for Frank Street and Hinterland has been approved. BAR for Tsomo/Sibande expected to be submitted to GDARD by 15 December 2010. Servitude registration underway. | 2,300,000               | 1,894,084             | 40, 15, 18, 23, 28, 6             |
| Transport and Roads | Formalise and Align New Access to Odenburg Gardens           | 712253         | Formalise and Align New Access to Odenburg Garden            | 97%                              | New access road   | 2,200,000               | 2,130,101             |                                   |
| Transport and Roads | Traffic Flow and Safety on Corridors                         | 712501         | Traffic Flow and Safety on Corridors                         | 25%                              | Master plans Completed for prioritisation of measures   | 2,000,000               | 507,406               | 23,55,59                          |
| Transport and Roads | Traffic Flow and Safety on Corridors                         | 712501         | Traffic Flow and Safety on Corridors                         | 29%                              | Problem Definition and investigations completed   | 500,000                 | 144,956               | 48, 77                            |
| Transport and Roads | Traffic Flow Improvement at Intersections                    | 712502         | Traffic Flow Improvement at Intersections                    | 60%                              | Two intersections upgraded  | 2,070,000               | 1,238,455             | 7, 42, 46, 52, 58, 60, 62, and 82 |
| Transport and Roads | Flooding backlog: network 3, Kudube unit 11                  | 712503         | Flooding backlog: network 3, Kudube unit 11                  | 99%                              | Planning and designing for the storm water system in Kudube Unit 11   | 2,000,000               | 1,984,867             | 75                                |

| Department          | Project name  | Project number | 2010/2011 planned milestone                                   | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed  | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation |
|---------------------|---|----------------|---|----------------------------------|--|-------------------------|-----------------------|---------------------------|
|                     |   |                | 11  |                                  |  |                         |                       |                           |
| Transport and Roads | Flooding backlog: network 2f, Kudube unit 6                   | 712504         | Flooding backlog: network 2f, Kudube unit 6                   | 100%                             | Planning and designing for the storm water system in Kudube Unit 6   | 1,400,000               | 1,399,619             | 75                        |
| Transport and Roads | Flooding backlog: Network 5A, Matenteng                       | 712506         | Flooding backlog: Network 5A, Matenteng                       | 99%                              | Construction of an estimate of 0.35 km open and closed storm water system and 1.2 km of Roads.<br>Construction of 5 Junction Boxes, 5 Field inlets, 8 kerb inlets and 2 Outlet Structure   | 8,000,000               | 7,956,329             | 14, 8                     |
| Transport and Roads | Flooding backlog: network 2h, Kudube unit 7                   | 712507         | Flooding backlog: network 2h, Kudube unit 7                   | 100%                             | Construction of storm water system in Kudube Unit 7  | 2,000,000               | 1,999,935             | 8                         |
| Transport and Roads | Flooding backlog: network c5, c6, c11 and c13, Atteridgeville | 712511         | Flooding backlog: network c5, c6, c11 and c13, Atteridgeville | 86%                              | Detailed designs, tender processes and construction of 1.21 km of roads and related storm water drainage systems.  | 5,000,000               | 4,307,985             | 62 and 63                 |
| Transport and Roads | Flooding backlog: network 5d, Mandela village unit 12         | 712512         | Flooding backlog: network 5d, Mandela village unit 12         | 100%                             | Survey, detail design, work drawings and contract documentation. As well as the tender, report.  | 500,000                 | 498148                | 73                        |
| Transport and Roads | Flooding backlog: network 5d, Mandela village unit 12         | 712512         | Flooding backlog: network 5d, Mandela village unit 12         | 100%                             | Survey, detail design, work drawings and contract documentation. As well as the tender, report.  | 1,000,000               | 1,000,000             | 73                        |
| Transport and Roads | Flooding backlog: Soshanguve south and Akasia area            |                | Flooding backlog: Soshanguve south and Akasia area            |                                  | Detail designs for Soshanguve South Ext.1 to be completed in July 2010. Rod for Soshanguve South Ext.1 is expected to be approved by 31 August 2010. Detail designs for Soshanguve Block UU and WW to be completed by 31 October 2010. | 0                       | 0                     | 36, 37, 39, 89            |
| Transport and Roads | Flooding backlog: Soshanguve south and Akasia area            | 712513         | Flooding backlog: Soshanguve south and Akasia area            |                                  |  | 0                       | 0                     | 36, 37, 39, 89            |
| Transport and Roads | Flooding backlog: Soshanguve south and Akasia area            | 712513         | Flooding backlog: Soshanguve south and Akasia area            | 100%                             |  | 1,900,000               | 1,896,390             | 36, 37, 39, 89            |
| Transport and Roads | Flooding backlog: network                                     | 712515         | Flooding backlog: network 2b,                                 | 72%                              | Survey, detail design, work drawings and   | 100,000                 | 72268                 | 73                        |

| Department          | Project name  | Project number | 2010/2011 planned milestone   | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation                     |
|---------------------|---|----------------|---|----------------------------------|---|-------------------------|-----------------------|---|
|                     | 2b, Ramotse   |                | Ramotse   |                                  | contract documentation.   |                         |                       |   |
| Transport and Roads | Flooding Backlog: Network 2D, New Eersterust x 2                            | 712516         | Flooding Backlog: Network 2D, New Eersterust x 2                            | 100%                             |   | 1,000,000               | 995,767               | 13, 14  |
| Transport and Roads | Flooding Backlog: Network 2D, New Eersterust x 3                            | 712516         | Flooding Backlog: Network 2D, New Eersterust x 3                            | 93%                              | Construction of an estimate of 4.5 km open and closed storm water system and 6.0 km of roads. Construction of 5 junction boxes, 5 field inlets, 8 kerb inlets and 2 outlet structures | 6,000,000               | 5,598,045             | 13, 14  |
| Transport and Roads | Flooding Backlog: Drainage Canals along Hans Strydom Dr, Mamelodi x 4 and 6 | 712518         | Flooding Backlog: Drainage Canals along Hans Strydom Dr, Mamelodi x 4 and 6 | 100%                             | Tender documentation for Hans Strydom Drive. Servitude registration underway. Detail designs completed. Rod has been approved.  | 800,000                 | 796,909               | 40, 15, 16                                    |
| Transport and Roads | Collector road backlogs: Mamelodi   | 712521         | Collector road backlogs: Mamelodi   | 87%                              | Tender stage  | 290,000                 | 252,150               | 40  |
| Transport and Roads | Collector road backlogs: Atteridgeville                                     | 712522         | Collector road backlogs: Atteridgeville                                     | 73%                              | Tender stage  | 70,000                  | 51,001                | 7   |
| Transport and Roads | Flooding backlog: network 3a, Kudube unit 9                                 | 712523         | Flooding backlog: network 3a, Kudube unit 9                                 | 100%                             | Planning and designing for the storm water system in Kudube Unit 9  | 800,000                 | 799,873               |   |
| Transport and Roads | Hatfield : Upgrading of Schoeman Str  | 712539         |   | 91%                              |   | 5,500,000               | 4,979,233             |   |
| Transport and Roads | Upgrading of Maunde   | 712544         |   | 3%                               |   | 26,168,580              | 746,594               |   |
| Transport and Roads | Giant stadium: Buitekant Str  | 712545         |   | 3%                               |   | 15,000,000              | 499,444               | 20, 35  |
| Transport and Roads | Wonder boom airport access: lindveldt avn                                   | 712546         |   | 5%                               |   | 20,000,000              | 949,971               | 49, 50  |
| Transport and Roads | K69 between waterkloof air force base and R21                               | 712547         |   | 97%                              |   | 16,500,000              | 15,998,862            | 59,42,46                                      |
| Transport and Roads | Upgrading of roads and apartment storm water systems in Soshanguve          | 712605         | Upgrading of roads and appurtenant storm water systems in Soshanguve        | 96%                              | Planning and procurement of consortia for the Soshanguve Turnkey Project: Phase 2   | 3,000,000               | 2,868,181             | 11, 25, 9, 29, 94, 26, 27, 88, 12, 96, 35, 36 |
| Transport and Roads | Upgrading of Lavender Road (Southern Part of K 97                           | 712610         |   | 100%                             |   | 4,500,000               | 4,495,542             | 49,50   |

| Department          | Project name  | Project number | 2010/2011 planned milestone   | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation |
|---------------------|---|----------------|---|----------------------------------|---|-------------------------|-----------------------|---------------------------|
| Transport and Roads | Upgrading of Mabopane Roads dealing with Red Soils  | 712611         | Upgrading of Mabopane Roads dealing with Red Soils                    | 92%                              | Detailed designs, tender processes and construction of 2.43 km or roads and related storm water drainage systems. | 7,500,000               | 6,932,083             | 19,20,21 and 22           |
| Transport and Roads | Upgrading of Mabopane Roads dealing with Red Soils  | 712611         | Upgrading of Mabopane Roads dealing with Red Soils                    | 78%                              | Detailed designs, tender processes and construction of 0.61 km or roads and related storm water drainage systems. | 2,500,000               | 1,948,475             | 19,20,21 and 22           |
| Transport and Roads | Upgrading of Sibande Street, Mamelodi   | 712612         | Upgrading of Sibande Street, Mamelodi                                 | 85%                              | Tender stage  | 950,000                 | 812,032               | 6                         |
| Transport and Roads | Capital Funded from Operating   | 712760         | Capital Funded from Operating   | 61%                              | N/a   | 3,456,000               | 2,096,868             | N/A                       |
| Transport and Roads | Mabopane station modal interchange  | 710657         | Construction of Ablution Facilities: North West Taxi Rank             | 90%                              | Clearing, Foundation, Brickwork, Windows and Roofing  | R 1,000,000.00          | 682,020               |                           |
| Transport and Roads | Ward-based project: transport   | 712617         | Construction of Ablution Facilities: Skinner Street Taxi Holding Area | 85%                              | Clearing, Foundation, Brickwork, Windows and Roofing  | R 1,800,000.00          | 1,127,803             |                           |
| Transport and Roads | Cashier facilities upgrade, church square, Jan niemand park, Pretoria north               | 712795         |   |                                  |   | 1,000,000               | 999,951               |                           |
| Transport and Roads | Security Camera Upgrade C de Wet, Church Square, Jan Niemand Park, Pretoria North         | 712796         |   |                                  |   | 650,000                 | 235,401               |                           |
| Transport and Roads | Oil Separator and Disposal Pit , Jan Niemand Park   | 712798         |   |                                  |   | 100,000                 | 99,943                |                           |
| Transport and Roads | Boundary walls, replace, c de wet, Pretoria north, Jan niemand park                       | 712799         |   |                                  |   | 500,000                 | 500,000               |                           |
| Transport and Roads | Personnel Access Control System C de Wet, Church Square, Jan Niemand Park, Pretoria North | 712800         |   |                                  |   | 3,000,000               | 982,393               |                           |

| Department           | Project name   | Project number | 2010/2011 planned milestone   | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed                    | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation                          |
|----------------------|--|----------------|---|----------------------------------|--|-------------------------|-----------------------|--|
| Transport and Roads  | Facilities Management Programme, C de Wet, Church Square, Jan Niemand Park, Pretoria North | 712801         |   |                                  |  | 26,200,000              | 883,622               |  |
| Transport and Roads  | Resurfacing of road surfaces for, C de Wet, Jan Niemand Park, and Pretoria North Depot     | 712802         |   |                                  |  | 12,400,000              |                       |  |
| Transport and Roads  | Resurface of Main Runway   | 712836         |   |                                  |  | 8,800,000               | 9,328,000             |  |
| Transport and Roads  | Resurface secondary runway   | 712837         |   |                                  |  | 4,000,000               | 4,447,093             |  |
| Transport and Roads  | Resurface taxiways   | 712838         |   |                                  |  | 20,000,000              | 30,948,999            |  |
| Transport and Roads  | Mabopane station modal interchange   |                | Construction of Abolition Facilities: North West Taxi Rank  | 90%                              | Clearing, Foundation, Brickwork, Windows and Roofing                       | R 1,000,000.00          | R682,020              | 19 (Mabopane)                                      |
| Transport and Roads  | Ward-based project: transport  |                | Construction of Abolition Facilities: Skinner Street Taxi Holding Area  | 85%                              | Clearing, Foundation, Brickwork, Windows and Roofing                       | R 1,800,000.00          | R1,127,803            | 60 (Skinner Street)                                |
| Water and Sanitation | Upgrading of Sewers in Tshwane area - Atteridgeville sewer networks (Phase 1)              | 710010A        | Original project target was to upgrade 9,900m of internal sewer network pipes. Adjusted to 6,564m during the Adjustment Budget. | 100%                             | 7,731m of internal sewer network pipes upgraded. Adjusted target exceeded. | 1,600,000<br>8,754,323  | 0<br>9,183,717        | 51, 62, 63, 68                                     |
| Water and Sanitation | Upgrading of Sewers in Tshwane area - Kaalspruit/ Rooiwal Sewer Siphon                     | 710010B        | Original project target was to upgrade 1,873m of bulk sewer pipes. Adjusted to 609m during the Adjustment Budget.               | 100%                             | 651m of bulk sewer pipes upgraded. Adjusted target exceeded.               | 4,100,000               | 4,099,228             | 1, 3, 4, 7, 37, 49, 50, 52, 53, 54, 55, 58, 59, 60 |
| Water and Sanitation | Refilwe Block G (IDP 710374)   | 710010C        | Fund requested and  | 100%                             | 98% expenditure achieved. Payment processed                                | 13,500                  | 13,200                | 49   |

| Department           | Project name  | Project number | 2010/2011 planned milestone   | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed                                   | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation  |
|----------------------|---|----------------|---|----------------------------------|---|-------------------------|-----------------------|--|
|                      |   |                | allocated during the Adjustments Budget for the payment of servitudes. Measured in % expenditure for the payment of servitudes. 100% for R13, 500.  |                                  | for R13, 200.   |                         |                       |  |
| Water and Sanitation | Upgrading of Sewers in Tshwane area - Atteridgeville sewer networks (Phase 2) | 710010D        | Fund requested and allocated during the Adjustments Budget for the upgrade of 2,000m of internal sewer network pipes.   | 100%                             | 3,235m of internal sewer network pipes upgraded. Adjusted target exceeded.                | 3,245,677               | 2,781,534             | 51, 62   |
| Water and Sanitation | Township Water Services Dev: Tshwane Contributions                            | 710022         | Fund allocated for the payment of claims or applications received for Township Development. Measured against % expenditure.<br><br>10 0% planned, although the number and amount of Township Development claims and applications cannot be predicted. | 15%                              | 15% expenditure achieved. Only one claim received for Township Development for R454, 545. | 3,000,000               | 454,545               | Tshwane wide (areas for township developments cannot be predicted) |
| Water and Sanitation | Lengthening of Network and Supply Pipelines                                   | 710023         | Original project target was to upgrade 4,000m of internal water network pipes. Adjusted to 4,291m during the Adjustment Budget.   | 100%                             | 5,649m of internal water network pipes upgraded. Adjusted target exceeded.                | 4,000,000               | 3,999,784             | 4  |

| Department           | Project name   | Project number | 2010/2011 planned milestone  | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed                     | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation          |
|----------------------|--|----------------|--|----------------------------------|---|-------------------------|-----------------------|------------------------------------|
| Water and Sanitation | Upgrading of Networks where Difficulties Exist                         | 710024         | The replacement , connection or disconnection of 80 water meter connections to reservoirs planned for this financial year.   | 100%                             | 91 connections and disconnections completed successfully. Target exceeded.  | 3,000,000               | 2,985,477             | 1, 2, 3, 4, 49, 52, 55, 61         |
| Water and Sanitation | Water Supply to Agricultural Holdings                                  | 710025         | According to the project plan, 2,000m of new internal water network pipes were scheduled to be installed.  | 100%                             | 4,228m of new internal water network pipes installed. Target exceeded.      | 1,500,000               | 1,499,415             | 49                                 |
| Water and Sanitation | Replacement of Worn Out Network Pipes                                  | 710026         | Original project target was to replace 24,000m of internal water network pipes. Adjusted to 35,034m during the Adjustment Budget.  | 100%                             | 41,143m of internal water network pipes replaced. Adjusted target exceeded. | 43,000,000              | 39,113,445            | 1, 2, 3, 48, 52, 55, 61, 64        |
| Water and Sanitation | Replacement, upgrading and construction of Waste Water Treatment Works | 710411         | Upgrade and maintenance of various worn-out equipment like pumps, civil structures and mechanical equipment. Measured and reported on number of upgrading projects per financial year. 7 major upgrade projects planned. | 100%                             | 10 upgrade projects completed. Target exceeded.                             | 2,000,000               | 21,686,797            | 3, 6, 22, 25, 37, 49, 70, 74, 75,  |
| Water and Sanitation | Extension of Sunderland Ridge WWTW (710364A)                           | 710411A        | According to the original project programme, planned to construct 68% of Sunderland Ridge  | 100%                             | The planned 54% completed. Target achieved.                                 | 25,937,480              | 1,140,721             | 47, 48, 57, 61, 64, 65, 66, 69, 70 |
|                      |  |                |  |                                  |   | 92,062,520              | 112,380,375           |                                    |

| Department           | Project name                             | Project number | 2010/2011 planned milestone   | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11  | 2010/2011 Expenditure | Ward(s) of implementation   |
|----------------------|--|----------------|---|----------------------------------|---|--------------------------|-----------------------|---|
|                      |  |                | WWTW planned for 2010/11. Adjusted to 54% for this financial year.  |                                  |   |                          |                       |   |
| Water and Sanitation | Extension of Zeekoegat WWTW (712125)     | 710411B        | According to the original project programme, planned to upgrade 86% of the Zeekoegat WWTW in 2010/11. Adjusted to 42% for this financial year.  | 100%                             | The planned 42% achieved for this financial year. Target achieved.  | 73,000,000<br>21,000,000 | 103,304,344<br>0      | 40, 41, 42, 43, 44, 45, 46, 47, 52, 56  |
| Water and Sanitation | Extension of Rooiwal WWTW (712128)       | 710411D        | According to the project programme, planned to upgrade 100% of the Rooiwal WWTW in 2010/11.   | 100%                             | The planned 100% upgrade of the WWTW achieved for this financial year. Target achieved.   | 68,700,629               | 60,644,353            | 1, 2, 4, 5, 7, 49, 50, 51, 52, 53, 54, 55, 56, 58, 59, 60, 61, 62, 63, 66, 68, 71, 72 |
| Water and Sanitation | Extension of Hennops River WWTW (712525) | 710411E        | Measured in % expenditure for the payment of servitudes. Originally, R2, 000,000 was allocated. Funds transferred after approval of report and funds adjusted to R720, 187 for the payment of the Consultant. | 70%                              | 100% expenditure for payment of the Consultants – R720, 187. Problems experienced with the registration of the servitudes, re-scheduled to next financial year. | 2,000,000                | 720,187               | 7   |
| Water and Sanitation | Extension of Baviaanspoort WWTW (712526) | 710411F        | According to the original project programme, the completion of the tender phase and the 100% upgrading of the Baviaanspoort WWTW were planned.  | 78%                              | Tenders advertised, final appointments not completed. 100% expenditure for payment of the Consultants – R504, 574.  | 20,000,000               | 504,574               | 6, 10, 15, 16, 17, 18, 23, 28, 38, 40, 67   |

| Department           | Project name   | Project number | 2010/2011 planned milestone   | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11  | 2010/2011 Expenditure   | Ward(s) of implementation |
|----------------------|--|----------------|---|----------------------------------|---|--------------------------|-------------------------|---------------------------|
|                      |  |                | Targets adjusted to complete the tender phase in this financial year and to commence with construction in 2011/12. Funds adjusted from R20, 000,000 to R504,574 after the approval of the fund transfer report.   |                                  |   |                          |                         |                           |
| Water and Sanitation | Extension of Temba WWTW (712126)   | 710411I        | According to the original project programme, the completion of the tender phase was planned and the 9% construction of the Temba WWTW. Targets adjusted to complete the tender phase in this financial year and to commence with construction in 2011/12. All funds of R10, 000,000 transferred after approval of the fund transfer report. | 86%                              | Tender stage completed. All funds transferred. Construction of WWTW will only commence in 2011/12.                | 10,000,000               | 0                       | 8, 73, 74, 75, 76         |
| Water and Sanitation | Refurbishment of water networks and backlog eradication: Ramotse, Marokolong, Kudube 9 - Waterborne Sewer Reticulation | 710878         | Original project target was to upgrade 6,200m new internal sewer network pipes – adjusted to 3,500m due to project re-design. Installation of 2,600 top   | 45%                              | 2,690m new internal sewer network pipe installed. 108 toilet structures completed. Adjusted targets not achieved. | 11,000,000<br>38,028,653 | 8,687,789<br>32,072,300 | 73, 74                    |

| Department           | Project name   | Project number | 2010/2011 planned milestone  | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed  | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation |
|----------------------|--|----------------|--|----------------------------------|--|-------------------------|-----------------------|---------------------------|
|                      |  |                | structures adjusted to 1,450 due to the re-design.   |                                  |  |                         |                       |                           |
| Water and Sanitation | Refurbishment of water networks and backlog eradication: Stink water Unit A - Water metered connections upgrade                | 710878D        | According to the project programme, 16,000m of new internal water network pipes were planned for installation in 2010/11. Installation of 690 water meter connections. | 60%                              | 18,290m new internal water network pipes installed – target exceeded.<br>None of the planned water connections could be completed before all the network pipes have been tested – target not achieved. | 4,955,756               | 0                     | 14                        |
|                      |  |                |  |                                  |  | 8,449,386               | 10,378,798            |                           |
| Water and Sanitation | Refurbishment of water networks and backlog eradication: Water (Stink water B, C and D)  | 710878E        | Funds allocated during the Adjustment Budget. Funds allocated for site establishment, materials, setting up and surveys. Funds eventually transferred to 710878I.      | 60.00%                           | The contractor withdrawn from the project due to alleged community threats. Resulted in funds being transferred to 710878I and under-expenditure.  | 10,000,000              | 0                     | 8, 14                     |
| Water and Sanitation | Refurbishment of water networks and backlog eradication: New sewage pump station and rising main at New Eersterust/ Stinkwater | 710878I        | According to the project programme 2,100m of new bulk sewer pipes planned for 2010/11. To construct 23% of a new sewer pump station.                                   | 35%                              | 1,240m new bulk sewer pipes completed – target not achieved.<br>22% of the planned 23% construction of the new sewer pump station completed. Target achieved.  | 3,201,430               | 12,601,327            | 13, 14                    |
|                      |  |                |  |                                  |  | 14,832,548              | 11,580,996            |                           |
| Water and Sanitation | Refurbishment of water networks and backlog eradication: Sanitation (Kudube/ Leboneng water borne sewer)                       | 710878J        | According to the project programme 2,116m of new internal sewer network pipes planned for 2010/11. The installation of 90 toilet structures.                           | 100%                             | 6,050m of new internal sewer network pipes completed – target exceeded.<br>123 toilet structures completed – target exceeded.  | 0                       | 521,531               | 75                        |
|                      |  |                |  |                                  |  | 7,650,000               | 13,296,588            |                           |
| Water and Sanitation | Refurbishment of water networks and  | 710878L        | Check and complete detail  | 100%                             | Detail designs checked and completed beginning   | 2,336,169               | 2,155,960             | 8                         |

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|----------------------|---|----------------|--|----------------------------------|--|-------------------------|-----------------------|---------------------------|
|                      | backlog eradication: Sanitation Stink water   |                | designs. Appoint/ utilise the Sewer As-and-When-Required Contractors. Plan to install 200m of new internal sewer network pipes by the end of June 2011. Project to proceed in 2011/12. |                                  | of June 2011. Appointed three of the Sewer As-and-When-Required Contractors. Completed 200m of new internal sewer network pipes by the end of June 2011. Project to proceed in 2011/12.      |                         |                       |                           |
| Water and Sanitation | Refurbishment of water networks and backlog eradication: Sanitation (Stink water A-water borne sewer)               | 710878 M       | 2,800m of new internal sewer network pipes planned for this financial year. 100 new sewer connections to eradicate backlogs.   | 35%                              | 4,032m of new internal sewer network pipes completed – target exceeded. 153 sewer connections installed but the toilet structures can only be completed once all the networks are completed. | 368,872                 | 1,517,664             | 14                        |
|                      |   |                |  |                                  |  | 8,899,283               | 8,465,311             |                           |
| Water and Sanitation | Refurbishment of water networks and backlog eradication: Water (Purification Plant Upgrades-Temba)                  | 710878T        | To check and complete the detail designs. Commence with the tender phase. 100% completion of project pre-planning phase.   | 100%                             | Detail design checked and completed in March 2011. Tender documents compiled and submitted by the Consultant. Project pre-planning 100% complete on schedule - target achieved.              | 3,000,000               | 3,079,667             | 8, 73, 74, 75, 76         |
| Water and Sanitation | Refurbishment of water networks and backlog eradication: Suurman, Mashemong water reticulation reinforcement        | 710878U        | Preliminary Design Approval Preliminary Design Checked and Completed   | 100%                             | Project pre-planning 100% complete on schedule - target achieved.  | 2,200,176               | 2,200,176             | 8, 76                     |
| Water and Sanitation | Refurbishment of water networks and backlog eradication (711533)  | 710878X        | Planned for the upgrade of 10 connections.   | 100%                             | During March 2011 at 1,240 connections were upgraded in Ward 73. Target exceeded.  | 0                       | 480,766               | 73                        |
|                      |   |                |  |                                  |  | 4,900,000               | 4,900,000             |                           |
| Water and Sanitation | Refurbishment of water networks and backlog eradication: Ga-Rankuwa - Water network refurbishment (Project 710392A) | 710878Z        | 40,000m of internal water network pipes planned to be upgraded. 2,775 water meters to be   | 70%                              | 45,842m of internal water network pipes upgraded – target exceeded. None of the water meters could be upgraded before all the network pipes were installed and tested.                       | 8,833,897               | 8,947,436             | 20, 21                    |

| Department           | Project name   | Project number | 2010/2011 planned milestone  | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation |
|----------------------|--|----------------|--|----------------------------------|---|-------------------------|-----------------------|---------------------------|
|                      |  |                | upgraded.  |                                  |   |                         |                       |                           |
| Water and Sanitation | Pipe reinforcement Klipgat, Mabopane and Winterveldt Reservoir   | 711331         | According to the project plan, 549m of bulk water pipes was scheduled to be upgraded.  | 85%                              | 451m of bulk water pipes upgraded – target not achieved.  | 16,000,000              | 16,000,000            | 9, 12, 24                 |
| Water and Sanitation | Klip-Klip-Kruisfontein Phase 3 Bulk Water Supply Reservoir   | 711332         | Increase reservoir capacity with 25Ml. Cathodic protection of 2,146m of bulk water pipes.                                    | 100%                             | Reservoir completed by June 2011, with capacity increase of 25Ml. Target achieved. Installed cathodic protection for 3,000m of bulk water pipes. Target exceeded. | 12,000,000              | 14,999,999            | 37, 39                    |
| Water and Sanitation | Replacement and upgrading of redundant bulk pipeline infrastructure – (Special Mayoral Project)  | 711335         | Feasibility study on viability of the Mayor's request  | 0%                               | Project not feasible and funds were relocated to the sub-projects.  | 2,178,000               | 0                     |                           |
| Water and Sanitation | Replacement and upgrading of redundant bulk pipeline infrastructure - Gezina   | 711335B        | Replacement of 4,820m of bulk water pipes.   | 100%                             | Target exceeded. 6,318m of bulk water pipes replaced.   | 30,100,000              | 30,181,558            | 1, 53, 54, 58             |
| Water and Sanitation | Replacement and upgrading of deficient bulk pipeline - (Stormvoëls to Swartberg Road)  | 711335C        | Material acquisition for 2011/12 financial year Measured in % expenditure for project pre-planning. 80% planned for 2010/11. | 90%                              | 62% expenditure achieved. Payments processed for R936, 356.   | 2,500,000               | 936,356               | 40, 41, 43                |
| Water and Sanitation | Purchase and installation of valves on bulk water infrastructure where a need is identified.   | 711335F        | Final CPI payment from 2009/10 financial year  | 100%                             | Valves replaced project completed   | 2,000                   | 1,716                 | 5, 8, 75                  |
| Water and Sanitation | Cathodic protection of main pipelines: Construction and Corrosion Protection of the new and existing Sekampaneng and Montana Main Feeder | 711335G        | Design stage Plan to complete 80% of the project pre-planning phase.   | 73%                              | 55% expenditure achieved. Payments processed for R818, 118. 73% of the planned 80% project pre-planning. Targets not achieved.                                    | 1,500,000               | 818,118               | 49, 50                    |

| Department           | Project name   | Project number | 2010/2011 planned milestone   | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation  |
|----------------------|--|----------------|---|----------------------------------|---|-------------------------|-----------------------|--|
|                      | Pipelines  |                |   |                                  |   |                         |                       |  |
| Water and Sanitation | Soshanguve Bulk Water Pipeline Replacement                               | 711335L        | Contractor is CPA and the consultants close out fees.   | 100%                             | Contractor is CPA and the consultants close out fees.   | 545,000                 | 541,463               | 14, 13, 95   |
| Water and Sanitation | Augmentation of the bulk feeder pipeline to the Monument Park reservoir. | 711335 M       | Funds allocated after the approval of the fund transfer report. 700m of bulk water pipes planned to be upgraded.  | 64%                              | 550m of bulk water pipes upgraded in June 2011. Target partially achieved. 100% expenditure.  | 5,200,000               | 5,178,054             | 42   |
| Water and Sanitation | Garsfontein Pipe Reinforcement   | 711345         | Replacement of 600m of bulk water pipes.  | 100%                             | Target exceeded. 1,263m of bulk water pipes replaced.   | 20,110,487              | 21,992,218            | 5, 6, 28, 38, 40, 41, 42, 43, 44, 45, 46, 47, 52, 53, 54, 56, 67 |
| Water and Sanitation | Replacement of Sewers  | 711404         | According to the original project programme, 15,610m of internal sewer network pipes were scheduled to be replaced. Targets adjusted during Adjustments Budget because additional funds were allocated. Project target adjusted to replace 17,922m of internal sewer network pipes. | 100%                             | Adjusted target exceeded. By the end of June 2011 a total of 20,329m of internal sewer network pipes were replaced.   | 13,616,045              | 13,594,046            | 31, 32   |
| Water and Sanitation | Bulk Sewer In Klip-Kruisfontein Phase 3B                                 | 711534         | Fund requested and allocated during the Adjustments Budget for compensation of landowners for actual loss resulting from the acquisition  | 85.00%                           | The expropriated owner has submitted a claim for higher compensation and Legal Services has requested an independent valuation to support their claim. The expropriated owner has not yet submitted an independent valuation. This resulted in 0% | 67,500                  | 0                     | 39   |

| Department           | Project name                             | Project number | 2010/2011 planned milestone  | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation      |
|----------------------|--|----------------|--|----------------------------------|---|-------------------------|-----------------------|--------------------------------|
|                      |  |                | of the servitude. Measured in % expenditure for the payment of servitudes. 100% for R67, 500.  |                                  | expenditure for 2010/11.  |                         |                       |                                |
| Water and Sanitation | Reduction Water Losses; Water Networks   | 711542         | Project aimed at reducing water losses. Measured in % expenditure. 100% expenditure planned for 2010/11 – R3, 500,000.   | 100%                             | 100% expenditure by end of June 2011.   | 3,556,496               | 3,499,920             | Tshwane Wide                   |
| Water and Sanitation | Purification Plant Upgrades - Rietvlei   | 711921A        | According to the original project programme, planned to complete 40% of the upgrade of the Rietvlei WTW during 2010/11. Adjusted to 50% for this financial year. | 86%                              | The adjusted target of 50% exceeded and 72% of the WTW were upgraded.   | 14,060,000              | 12,395,964            | 42, 45, 46, 47                 |
| Water and Sanitation | Purification Plant Upgrades - Roodeplaat | 711921C        | According to the project programme, planned to complete 60% of the upgrade of the Roodeplaat WTW during 2010/11.   | 74%                              | The target achieved. 60% of the WTW were upgraded by the end of June 2011.  | 77,000,000              | 75,191,057            | 2, 5, 49, 50,                  |
| Water and Sanitation | Moreletaspruit Outfall Sewer - Phase 1   | 712121A        | Funds were allocated for refinements, payment of the completion certificate for Phase 1.   | 100%                             | Phase 1 is complete, only refinements are pending. The completion certificate will be finalised and payment submitted before Dec2010. As Built completed but will be handed over with close out report after snag list is complete. | 1,281,427               | 1,027,140             | 41, 42, 43, 44, 45, 46, 47, 52 |
| Water and Sanitation | Moreletaspruit Outfall Sewer - Phase 2A  | 712121B        | According to the project programme, planned to   | 95.00%                           | By the end of June 2011 - 1,664m of bulk sewer pipes upgraded due to rain   | 40,431,496              | 36,992,048            | 41, 42, 43, 44, 45, 46, 47, 52 |

| Department           | Project name                               | Project number | 2010/2011 planned milestone  | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed  | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation          |
|----------------------|--|----------------|--|----------------------------------|--|-------------------------|-----------------------|------------------------------------|
|                      |  |                | upgrade 2,314m of bulk sewer pipes during 2010/11.   |                                  | delays.  |                         |                       |                                    |
| Water and Sanitation | Moreletaspruit Outfall Sewer - Phase 2B    | 712121C        | Fund requested and allocated during the Adjustments Budget for the project pre-planning phase. Measured in % expenditure for project pre-planning. 100% planned for 2010/11. | 84%                              | 100% expenditure achieved. Payments processed for R480,813. 100% of the planned project pre-planning completed by end of June 2011. Target achieved.         | 890,000                 | 480,813               | 41, 42, 43, 44, 45, 46, 47, 52     |
| Water and Sanitation | Bulk and Reservoir - Babelegi              | 712142         | According to the project programme, 1,150m of new bulk water pipes was scheduled to be installed in this financial year.   | 100%                             | By the end of June 2011 at total of 3,018m of new bulk, water pipes were installed. Target exceeded.   | 27,996,166              | 23,317,644            | 73, 74, 75                         |
| Water and Sanitation | BLK - Individual res – Pierre van Ryneveld | 712150         | Increase reservoir capacity with 15ML. Construction of the remaining 40% of the Pierre van Ryneveld Reservoir.   | 100%                             | Reservoir completed by June 2011, with capacity increase of 15ML. Target achieved. The remaining 40% of the reservoir were completed. Target achieved.       | 6,000,000               | 5,999,990             | 47, 65                             |
| Water and Sanitation | Garsfontein Reservoir                      | 712534B        | Increase reservoir capacity with 30ML. Construction of the remaining 50% of the Garsfontein Reservoir.   | 91%                              | Reservoir not completed by June 2011, due to poor performance by Contractor. 41% of the remaining 50% of the reservoir were completed. Targets not achieved. | 11,074,530              | 12,049,180            | 40, 41, 42, 43, 44, 46, 47, 52, 56 |
| Water and Sanitation | Mooikloof Reservoir                        | 712534D        | Fund requested and allocated for compensation of landowners for actual   | 75.00%                           | The expropriated owner has submitted a claim for higher compensation. Report was submitted to the Mayoral Committee and was not                              | 300,000                 | 0                     | 45                                 |

| Department                   | Project name                              | Project number | 2010/2011 planned milestone  | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation |
|------------------------------|---|----------------|--|----------------------------------|---|-------------------------|-----------------------|---------------------------|
|                              |   |                | loss resulting from the acquisition of the servitude. Measured in % expenditure for the payment of servitudes. 100% for R300, 000.   |                                  | approved. This resulted in 0% expenditure for 2010/11.  |                         |                       |                           |
| Water and Sanitation         | New Carina Street 2 Reservoir             | 712534I        | Fund originally requested and allocated for compensation of landowners for actual loss resulting from the acquisition of the servitude. Measured in % expenditure for the payment of servitudes. 100% for R4, 000,000. | 0.00%                            | The land acquisition report not approved by the Mayoral Committee in Feb 2011. Funds re-allocated to EED during the funds transfer report as approved by MayCo on 20/04/2011.                         | 4,000,000               | 0                     | 42                        |
| Water and Sanitation         | Sekampaneng Reservoir                     | 712534L        | According to the project programme funds was required to complete the remaining 5% of the construction of the reservoir. Measured in % expenditure.  | 99%                              | The planned 5% for the remaining work on the reservoir completed. The roof of reservoir and the control room including the installation of the cat ladder inside the reservoir, completed as planned. | 3,300,000               | 2,864,425 8           | 8, 74                     |
| Housing and Human Settlement | Project-Linked Housing Facility           | 710860         | Project Linked - Housing facility  | 100%                             | Construction of Mamelodi Multipurpose Centre completed  | 3,600,000               | 2 430 572. 72         | 18, 16, 15                |
| Housing and Human Settlement | Project-Linked- Housing Facility          | 710860         | Project Linked - Housing facility  | 100%                             | Construction of Mamelodi Multipurpose Centre  | 5,400,000               | 5 278 453. 88         | 18, 16, 15                |
| Housing and Human Settlement | Township Establishment – Low-cost Housing | 710862         | Township Establishment – Low-cost  | 100%                             | Establishment of new townships for housing developments   | 3,000,000               | 2 898 887. 2          | 48                        |

| Department                   | Project name   | Project number | 2010/2011 planned milestone  | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed  | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation |
|------------------------------|--|----------------|--|----------------------------------|--|-------------------------|-----------------------|---------------------------|
|                              |  |                | Housing  |                                  | completed  |                         |                       |                           |
| Housing and Human Settlement | Sewer – Low-cost Housing (Formalisation )                          | 710864         | Sewer – Low-cost Housing (Formalisation )                          | 100%                             | Servicing of 2109 stands in Thorn tree View  | 30,000,000              | 29 999 998            | 37                        |
| Housing and Human Settlement | Sewer – Low-Cost Housing (Formalisation )                          | 710898         | Water – Low-cost Housing (Formalisation )                          | 100%                             | Servicing of 2109 stands in Thorn tree View  | 30,000,000              | 29 999 998            | 37                        |
| Housing and Human Settlement | Sewer – Low-Cost Housing (Formalisation ) Soshanguve Block V and T | 710864         | Sewer – Low-cost Housing (Formalisation ) Soshanguve Block V and T | 100%                             | Construction of 370 sewer house connections completed  | 1,000,000               | R29,999,998.86        | 11,25,26                  |
| Housing and Human Settlement | Roads and Storm water Low-cost housing                             | 710865         | Roads and storm water Low-cost housing                             | 100%                             | Construction of 3km access road in Thorn Tree View   | 18,000,000              | 17 999 998            | 37                        |
| Housing and Human Settlement | Township Establishment Acquisition of land Low-cost Housing        |                | Township Establishment Acquisition of land Low-cost housing        | 100%                             | Land costs paid at the Thorn tree View   | 5,000,000               | 4 999 999             | 37                        |
| Housing and Human Settlement | Winterveldt Land Management Plan                                   |                | Winterveldt Land Management Plan                                   | 100%                             | Construction of 2.525 km of roads completed  | 11,000,000              | R10,999,997.95        | 24                        |
| Housing and Human Settlement | Saulsville Hostels   | 711712         | Saulsville Hostels   | 100%                             | Electrification of 104 Community Residential Units and 200 Temporary Residential Units and renovation of 20 CRUs at Murray and Roberts | 18,000,000              | R17,999,606.52        | 63,68                     |
| Housing and Human Settlement | Mamelodi Hostel  | 711713         | Mamelodi Hostel  | 100%                             | Paving of access roads, installation of palisade fencing and landscaping completed   | 4,000,000               | R3,816,081.12         | 67,28,38                  |
| Housing and Human Settlement | Township Development (Electricity) Olievenhoutbosch x 36           |                | Township development (electricity) Olievenhoutbosch x 36           | 100%                             | The funds were used to pay an outstanding debt to Absa Devco from the previous financial years   | 2,000,000               | R1,999,999.99         | 48                        |

| Department                   | Project name                  | Project number | 2010/2011 planned milestone   | % of Planned Milestone completed | Milestones Achieved to Justify the Percentage completed   | Adjusted budget 2010/11 | 2010/2011 Expenditure | Ward(s) of implementation |
|------------------------------|-------------------------------|----------------|-------------------------------|----------------------------------|---|-------------------------|-----------------------|---------------------------|
|                              |                               |                |                               |                                  |   |                         |                       |                           |
| Housing and Human Settlement | Capital funded from Operating |                | Capital funded from Operating |                                  | Procurement of furnisher and laptops for staff members of Housing and Human Settlement Department | 2,162,461               | R1,569,767.31         | 60                        |

# CHAPTER 6

# MUNICIPAL

# ENTITIES

# CHAPTER 6

# MUNICIPAL ENTITIES

## 6.1 Housing Company Tshwane (HCT)

### 6.1.1 Company information

**Registration number:** 2001/029821/08

Registered address: Room 737, Munitoria Building, 302 Vermeulen Street, Pretoria 0002

Postal address: PO Box 3242, Pretoria 0001

Bankers: Absa Limited

Auditors: Auditor-General of South Africa

### 6.1.2 Report of the Chairperson

The Housing Company Tshwane's (HCT's) mandate is to develop and manage affordable social/rental housing in Tshwane. As a municipal entity, the HCT derives its mandate from the City of Tshwane (sole shareholder), and is therefore expected to contribute to the City's service delivery programme as captured in the applicable Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP). Operations at the HCT are underpinned by the four key guiding principles encapsulated in the company's Strategic Plan, namely *sustainability, affordability, integrity, and independence*.

The HCT did all it could to discharge of its mandate as per the SDA with the shareholder. Certain aspects of the SDA could not be implemented (eg the management of newly refurbished municipal rental units/buildings), and this has affected the company's performance in terms of the set targets for 2010/11. It is anticipated that this problem will be resolved during 2011/12, and that the HCT can effectively grow its rental stock under management.

Overall, the company's operations during 2010/11 improved significantly as a result of a reliable cash-flow position, the capacitation of the company (ie the appointment of key personnel in the Finance Section) as well as the continued improvement of the governance environment. The unqualified audit outcome for 2010/11 bears testimony to the company's efforts to contribute to the City's clean audit initiative. All the matters raised by the Auditor-General in the 2010/11 audit report are being attended to as required. The Auditor-General's 2010/11 management report will be used as a guideline towards correcting specific compliance, performance and internal control issues which need urgent attention from the HCT management and board.

Finally, I wish to thank the management and staff of the HCT for the commitment and enthusiasm displayed during the past year. The contribution of the shareholder to the company's 2010/11 operational re-engineering is acknowledged and appreciated. The term of office of the current board ends on 29 February 2012. On behalf of all the directors, I wish to thank the City of Tshwane for affording us the opportunity to serve the City and to contribute to the development of Housing Company Tshwane as a social housing institution.

Ronny Mkhwanazi

Board Chairperson

6 December 2011

### **6.1.3 Report of the Chief Executive Officer**

#### **General performance**

The HCT's 2010/11 financial year was characterised by a number of positive and negative events. On the one hand, the company managed to enhance its governance, succeeded in developing a project pipeline (still to be implemented), and continued to provide affordable rental accommodation in the city. A severe cash-flow crisis in the first quarter of 2010/11 led to the company having to defend itself against legal judgements, a loss of most of its staff, as well as an erosion of confidence in the company by the shareholder and other stakeholders. An injection by the shareholder of recapitalisation funding in the last two quarters of 2010/11 stabilised the cash-flow position and allowed the company to start implementing the provisions of the signed SDA between the HCT and the City of Tshwane.

#### **Units under management**

The company's book (in terms of units under management) has remained unaltered, and this remains an operational challenge since social housing institutions require a minimum of 2 000 units under management to break even (assuming the cost of rentals at least are recovered). The rental stock under the HCT management at the beginning of the end of the 2010/11 financial year was restricted to the 95 units at the Eloff Building. The company is still negotiating with the City's Housing Department to release existing rental stock to the HCT for management.

#### **New project(s)**

2010/11 was a positive financial year despite the company's cash-flow squeeze. The planning process for the implementation of the 777-unit Townlands project remained on track, with funding applications submitted to the relevant government and private sector role players. The planning phase for Townlands has taken longer than anticipated, and as a result the implementation phase did not start during 2010/11.

#### **Governance**

The company's governance structure for 2010/11 was sound, with seven regular board meetings scheduled and concluded successfully. Company policies and operational procedures were duly reviewed and approved for implementation by management. However, limited human resources continued to undermine the company's ability to comply with, *inter alia*, certain provisions of the Companies Act 1973 Act 61 of 1973 and the Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA). This is also highlighted in the Auditor-General's audit report for 2010/11 as a shortcoming.

#### **Conclusion**

The company's general performance (relative to the company mandate scorecard and targets set in the SDA) was unsatisfactory. In 2011/12, the management's priority is to meet all the company's pre-determined objectives and targets, thus ensuring that there is overall compliance and that set performance targets/pre-determined objectives are met.

M Gaffane

Chief Executive Officer

30 June 2011

#### 6.1.4 Targets and performance

The HCT successfully managed the Eloff Building, a fully let, 95-unit residential building owned by the HCT.

The HCT board was active and functioned for an entire financial year without any problems. Seven scheduled board meetings were held during the 2010/11 financial year.

The HCT obtained an unqualified audit opinion from the Auditor-General.

The implementation of the SDA between the HCT and the City of Tshwane was initiated during 2010/11. As indicated in the report of the chairperson, certain aspects of the SDA could not be implemented (eg the management of the newly refurbished municipal rental units/buildings), and this affected the company's performance in terms of the set targets for 2010/11. The plan for 2011/12 is to gradually build the portfolio under management by pursuing a strategy based on existing properties and new-build properties where possible.

**Table: Summary of performance results**

| <b>Strategic objective</b> |  | <b>KPA</b>           | <b>2010/11 financial year</b>  |
|----------------------------|--|----------------------|--|
| SO1                        | Develop 5 000 to 15 000 affordable and quality human settlements for rental by 2014.   | Property Development | Not achieved   |
| SO2                        | Strive for and promote excellence in the management and establishment of 5 000 to 20 000 rental housing stock.   | Property Management  | Not achieved   |
| SO4                        | Improve occupancy rate to 95% on all municipal buildings under management.   | Property Management  | Not achieved   |
| SO6                        | Ensure that the HCT is financially sustainable and liquid by 2012/13.  | Finance              | Not yet achieved through rental income. Current sustainability based on recapitalisation funds from the City of Tshwane. |
| SO7                        | Ensure that the HCT is an employee of choice.  | Human Resources      | Partially achieved. Critical vacancies not filled during 2010/11.  |
| SO9                        | Design and implement an institutional transformation plan strategy to improve corporate governance structure and ensure adequate capacity to achieve the five-year strategic objectives. | Corporate Governance | Partially achieved. Organisational diagnosis underway.   |

| Key performance area  | Key performance indicator   | Baseline                                      | 2010/11 target | Outcome  |
|---|---|---|----------------|--|
| 1. Development of property  | Acquired municipal-owned rental stock                                   | 0   | 576            | Not achieved. No new units acquired in 2010/11.  |
|   | Number of units procured and under management                           | 95  | 650            | Not achieved.<br>New buildings not yet transferred to the HCT for management. Only 95 units remain under the HCT management.                 |
|   | Number of allocations administered                                      | 95  | 650            | Not achieved. No new buildings under the HCT management.   |
| 2. Management of property   | % of planned maintenance programme implemented                          | 60%   | 100%           | Not achieved due to cash-flow constraints. Maintenance deferred to Q1 2011/12.   |
|   | % of customer complaint case files resolved                             | No unresolved tenant complaints               | 100%           | Partially achieved.  |
|   | Number of illegal occupants regularised as % of total illegal residents |   | 0              | Achieved: no illegal occupants at Eloff Building. All tenants have valid, signed lease agreements.   |
|   | % of leased rooms vs rooms  | 100% occupancy                                | 100%           | Achieved: 97% of rooms were let.   |
|   | Number of contracts loaded on database for billing purposes             | 100% of all lettable properties               | 650            | Not achieved: No new buildings under management. Occupation certificates for new building outstanding. Current tenant listing remains at 95. |
| 3. Collection of rental revenue<br><i>(Industry norm = 95%, allowing for 5% default rate)</i> | Rental collected as a percentage of amount billed                       | 100%  | 95%            | Achieved.  |
|   | Arrear amounts recovered on default accounts handed over                | No outstanding recoveries on default accounts | 100% recovery  | Partially achieved.<br>Processes to maximise outstanding recoveries on default accounts in place. Legal option also pursued.                 |
|   | Number of rent defaulters evicted                                       | No rent defaulters                            | 0              | Achieved.  |
| 4. Human resources development  | Fully functional structure  | 100% capacitation as approved organogram      | 70%            | Partially achieved (62% of results achieved).  |
|   | All approved positions filled   | 100% capacitation as approved organogram      | 70%            | Achieved.  |

## 6.1.5 Financial performance

The entity had a net surplus of R18 577 456,00. This is attributable to the recapitalisation grant received from the parent company during the year ended 30 June 2011.

### 6.1.5.1 Revenue

For the year under review, the HCT had a total revenue of R24 054 271,00 (2009/10: R3 767 410), an increase of 538% from the previous year. This increase is attributed to an operational grant received from the City of Tshwane as per the signed SDA, as well as a revaluation of investment property (Eloff Building). The total recapitalisation grant received for 2010/11 was R15 265 254.

### 6.1.5.2 Results of operations

Operational costs decreased by 25% from R6 121 663,00 in 2009/10 to R4 907 281,00.

### 6.1.5.3 Assessment of arrears on municipal taxes and service charges

#### Amounts owed by the entity for service charges

| Name of entity  | Amount owed<br>R'000 | Status | Comments |
|-----------------|----------------------|--------|----------|
| City of Tshwane | n/a                  | n/a    | n/a      |

## 6.1.6 Report of directors and governance

### 1. Introduction

The board of directors and executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King II and III Reports on Corporate Governance. Therefore, the shareholders can rest assured that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. By and large, the entity has complied with these reports in all respects during the year under review.

The board of directors has incorporated the City of Tshwane's Corporate Governance Protocol (the protocol) in its board charter, which, *inter alia*, regulates its relationship with the City of Tshwane as its sole member and parent municipality in the interests of good corporate governance and good ethics.

The protocol is based on the principles enunciated in the King II and III reports on corporate governance in South Africa. The HCT has consolidated its position in respect of adherence to the King II report on corporate governance, and the company's practices are, in most material instances, in line with the principles set out in the King II and III reports. Ongoing steps are, however, taken to align practices with the reports' recommendations and the board continually reviews progress to ensure that corporate governance is improved. During the year under review the HCT did not finalise its risk management reviews and reporting and compliance assessments in terms of the Companies Act, 1973 and the MFMA.

### 2. Board of directors

The HCT has a unitary board, which consists of executive and non-executive directors. The board is chaired by the non-executive director, Mr Ronny Charles Mkhwanazi. The board meets regularly, at least quarterly, and retains full control over the company. It remains accountable to the City of Tshwane Metropolitan Municipality, the sole member, and its stakeholders, the residents of Tshwane. The board provides monthly, quarterly, biannual and annual reports on its performance and service delivery to the parent municipality as prescribed in the SDA, the MFMA and the Municipal Systems Act, 2000 (Act 32 of 2000) (MSA).

Non-executive directors contribute an independent view on matters under consideration and add to the depth of experience of the board. The roles of the chairperson and the managing director/chief executive officer are separate, and responsibilities are divided between them. The chairperson has no executive functions. Members have unlimited access to the company secretary who acts as an advisor to the board and its committees on matters which include compliance with company rules and procedures, statutory regulations and best corporate practices.

The board or any of its members may, in appropriate circumstances and at the expense of the company, obtain the advice of independent professionals. An annual director and peer review is undertaken, as well as a board evaluation.

The company's governance structure for 2010/11 was sound, with seven regular board meetings scheduled and concluded successfully. The diagram below illustrates the governance structure in relation to the shareholder and company management:

The following directors have been active during the year under review:

- Mr Ronny Charles Mkhwanazi (Chairman)
- Dr Mary Gene Manthata-Setati
- Mr Michael Bandile Gcabo
- Me Dombolo Makgomo Masilela
- Mr Phetola Nailana Solomon Makgathe
- Ms Lusanda Mbali Madikizela
- Mr Nyobo Moses Malefo (resigned – de-registration underway)
- Ms Lynnette Mosa Molapo (resigned – de-registration underway)

Board attendance registers are kept and are up to date with respect to, inter alia, the disclosure and declaration of interests of directors and senior management. The board and senior management ensure that there is full material compliance with all relevant legislation. The company secretary has certified in terms of section 268(d) of the Companies Act, 1973 that all statutory returns have been submitted to the Registrar of Companies.

### **3. Board committees**

The following committees have been formed, each of which is chaired by a non-executive director:

**Human Resources and Remuneration Committee**

The Human Resources and Remuneration Committee consists of the following non-executive directors:

- Ms Lusanda Madikizela
- Ms Dombolo Makgomo Masilela
- Mr Phetola Nailana Solomon Makgathe

The Human Resources and Remuneration Committee advises the board on remuneration policies, remuneration packages and other terms of employment for directors and senior executives. Its specific terms of reference also include recommendations to the board on matters relating to, for instance, general staff policy, remuneration, bonuses, directors' remuneration and fees. The committee met once during the year under review.

#### **Risk Management Committee**

The Risk Management Committee consists of the following non-executive directors:

- Mr Michael Bandile Gcabo
- Mr Phetola Nailana Solomon Makgathe
- Dr M Manthata-Setati

The committee oversees the quality, integrity and reliability of the company's risk management function. In terms of its mandate, it reviews and assesses the integrity and the quality of risk control systems and ensures that risk policies and strategies are effectively managed. The committee did not meet during the year under review.

#### **Audit and Finance Committee**

The Audit and Finance Committee consists of the following non-executive directors:

- Mr Ronny Charles Mkhwanazi
- Me Dombolo Makgomo Masilela
- Ms Lusanda Mbali Madikizela

#### **Audit and Performance Committee**

The City of Tshwane appointed a single Audit and Performance Committee to serve all the municipal entities during 2010/11. The Audit and Performance Committee consists of the following non-executive directors:

- MG Rangongo ( Chairperson)
- R Tshimomola
- K Buthelezi
- PV Chwene
- V Pillay
- K Rapoo
- MH Buthelezi
- AL Geldenhuis
- M Magasa
- SM Makinta

The role of the Audit and Performance Committee is to assist the boards of municipal entities by performing an objective and independent review of the functioning of the organisation's finance and

accounting control mechanisms. It exercises its functions through close liaison and communication with corporate management and the internal and external auditors.

The Audit and Performance Committee operates in accordance with a written charter authorised by the City of Tshwane as well as the boards of municipal entities, and provides assistance to the boards with regard to –

- ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- matters relating to financial accounting, accounting policies, reporting and disclosures;
- internal and external audit policy;
- activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- review/approval of external audit plans, findings, problems, reports and fees;
- compliance with the code of corporate practices and conduct; and
- compliance with the code of ethics.

The Audit and Performance Committee addressed its responsibilities well in terms of the charter during the year under review. No changes to the charter were adopted during the year under review. Management reviewed the financial statements with the committee, and the latter reviewed them without management or the external auditors being present. The quality of the accounting policies was discussed with the external auditors.

The Audit and Performance Committee considers the annual financial statements of the entity to be a fair presentation of its financial position on 30 June 2011 and of the results of its operations, changes in equity and cash flow (where applicable) for the period ended then in accordance with the Generally Accepted Accounting Practice (GAAP) and the Companies Act, 1973.

#### **4. Directors' remuneration**

| Description  | Chairperson of the board | Non-executive directors   | Chief executive director | Finance manager |
|--|--------------------------|---|--------------------------|-----------------|
| Salaries and wages<br>R '000<br>Normal<br>Overtime | R151 704                 | Ms Dombolo Masilela (R46 554)<br>Mr Michael Gcabo (R52 398)<br>Mr Phetola Makgathe (R34 906)<br>Ms Lusanda Madikizela (R40 710)<br>Dr Mary Gene Manthata Setati (R29 062) | R1 404 750               | R114 966        |

#### **5. Functions of company secretary**

The primary function of the company secretary is to act as the link between the board and the management and to facilitate good relationships with the shareholders. The company secretary is responsible for the general administration, more specifically to ensure compliance with good corporate governance practices and to provide guidance to the directors on corporate governance principles and applicable legislation. For the year under review, the company secretary was only appointed with effect from 1 June 2011.

#### **6. Risk management and internal controls**

Effective risk management is integral to the company's objective of consistently adding value to the business. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks.

Operating risk is the potential for loss to occur through a breakdown in control information, business processes and compliance systems. Key policies and procedures that are in place to manage operating risk involve segregation of duties, transaction authorisation, supervision, monitoring and financial and managerial reporting.

In order to meet its responsibility with respect to providing reliable financial information, the entity maintains financial and operational systems of internal controls. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management authority, that the assets are adequately protected against material loss or unauthorised acquisition, use or disposal, and that transactions are properly authorised and recorded. The system includes a documented organisational structure and visions of responsibility, established policies and procedures, including a code of ethics to foster a strong ethical climate, which are communicated to the parent municipality. It also includes the careful selection, training and development of people.

Internal auditors monitor the operation of the internal control systems and report findings and recommendations to the management and the board of directors. Corrective actions are taken to address control deficiencies and other opportunities for improving the system as they are identified. The board, operating through the Audit and Performance Committee of the City of Tshwane, supervises the financial reporting process and internal control systems. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls.

Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of internal control systems can change with circumstances. The internal control process has been in place up to the date of approval of the annual report and financial statements. Based on its assessment, the group believed that, as at 30 June 2011, its system of internal control over financial reporting and the safeguarding of assets against unauthorised acquisitions, use or disposal, did not effectively meet those criteria due to staff shortages and the resultant limitation with respect to the segregation of responsibilities.

## **7. Internal audit function**

The City of Tshwane's internal Audit Department has a specific mandate and independently appraises the adequacy and effectiveness of the company's systems, financial internal controls and accounting records, reporting its findings to local and divisional management and the Auditor-General as well as the Audit Committee.

The internal audit coverage plan is based on the risk assessment performed at each operating unit. The coverage plan is updated annually, based on the risk assessment and the results of the audit work performed. This ensures that the audit coverage is focused on and identifies the areas of high risk.

The City of Tshwane's internal Audit Department reports regularly to the Audit and Performance Committee, and the Auditor-General is invited to all the meetings of this committee.

The internal Audit Department investigated the company's performance for the third and fourth quarters of the 2010/11 financial year. Quarters 1 and 2 of 2010/11 were not audited by the internal Audit Department.

## **8. Response to the Auditor-General's report**

**(Housing Company Tshwane 2010/11: Audit findings and action plan)**

**Fruitless and wasteful expenditure**

1. As disclosed in note 23 to the financial statements, fruitless and wasteful expenditure of R80 820 was incurred as a result of interest and penalties arising from the late payment of supplier invoices and the taxes due to the South African Revenue Services (SARS).

**Management action plan**

This matter has already been addressed. The fruitless and wasteful expenditure of R80 820,00 was unavoidable as the company was experiencing cash-flow difficulties during the first two quarters of 2010/11. All payments to SARS and other service providers are paid on time now.

**Predetermined objectives**

2. The reported performance information was deficient in respect of the following:
  - The measures taken to improve performance were not explained and/or included in the report on predetermined objectives.
  - The annual performance report does not include actions that are taken to improve performance where performance targets have not been met as required by section 41(1)(d) of the MSA.

**Management action plan**

The measures taken to improve performance are now explained/included in the various quarterly reports on predetermined objectives. The annual performance report for 2011/12 will include the actions that are taken to improve performance where performance targets have not been met as required by section 41(1)(d) of the MSA.

**Compliance with laws and regulations**

**(Strategic planning and performance management)**

3. The performance review in the annual performance report does not include the actual performance of all the indicators and targets as required by section 46 of the MSA.
4. The targets as per the business plan for the 2010/11 financial year were not indicated for all indicators as required by section 46 of the MSA.

**Management action plan**

The performance review for 2011/12 will now include the actual performance of all the indicators and targets as required by section 46 of the MSA.

The targets as per the business plan for the 2010/11 financial year were not indicated for all the indicators as required by section 46 of the MSA. This has been addressed in the 2011/12 business plan.

**Annual financial statements, performance and annual reports**

1. The financial statements submitted for auditing were not prepared in accordance with the requirements of section 122 of the MFMA in all material respects. Material misstatements identified by the auditors were subsequently corrected resulting in the financial statements receiving an

unqualified audit opinion.

#### **Management action plan**

The 2010/11 financial statements submitted for auditing were not prepared in accordance with the requirements of section 122 of the MFMA in all material respects. The material misstatements identified by the auditors were subsequently corrected by the HCT management resulting in the financial statements receiving an unqualified audit opinion. The 2011/12 financial statements will therefore be prepared in line with section 122 of the MFMA.

#### **The internal Audit Department**

1. The internal Audit Department did not function as required by section 165 of the MFMA, in that the internal Audit Department did not –
  - prepare a risk-based audit plan and an internal audit programme for the financial year under review;
  - report to the Audit Committee on the implementation of the internal audit plan; and
  - advise the accounting officer and report to the Audit Committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.
2. The internal Audit Department did not advise the accounting officer and report to the Audit Committee on matters relating to compliance with the MFMA and other applicable legislation as required by section 165(2)(b) of the MFMA.

#### **Management action plan**

This matter is being addressed by the internal Audit Department of the City of Tshwane. With a view to the 2011/12 financial year, the HCT's management is proactively engaging with the internal Audit Department on risk matters, especially enhancing internal control measures and refining mitigating measures for the identified risk areas.

#### **Expenditure management**

3. The money owing by the municipal entity was not always paid within 30 days of receiving an invoice or statement, as required by section 99(2)(b) of the MFMA.
4. The accounting officer did not take reasonable steps to prevent fruitless and wasteful expenditure as required by section 95(d) of the MFMA.

#### **Management action plan**

This matter was addressed during 2011/12. The non-payment of creditors within 30 days was unavoidable as the company experienced cash-flow problems during the first two quarters of 2010/11. All payments to service providers are now paid within 30 days.

#### **Value-added tax**

5. The municipal entity did not submit all its monthly VAT returns for the financial year under review to SARS on time as required by section 28 of the Value-added Tax Act, 1991 (Act 89 of 1991).

#### **South African income tax**

6. The municipal entity did not pay the statutory deductions for PAYE (pay as you earn), the

Unemployment Insurance Fund and the Skills Development Levy to SARS by the 7<sup>th</sup> of the month as required by the South African Income Tax Act, 1962 (Act 58 of 1962).

#### Management action plan

This matter has already been addressed. The non-payment of statutory deductions to SARS, as well as the submission of VAT returns, was unavoidable as the company was experiencing cash-flow problems during the first two quarters of 2010/11.

### **9. Corporate ethics and organisational integrity**

The company has developed a code of conduct which has been fully endorsed by the board and applies to all directors and employees. This code is regularly reviewed and updated as necessary to ensure that it embodies the highest standards of behaviour and professionalism.

In summary, the code requires that all company personnel act with the utmost integrity and objectivity and in compliance with the letter and spirit of both the law and company policies at all times. Failure by employees to act in terms of the code results in disciplinary action. The code is discussed with each new employee as part of his or her induction training and all employees are asked to sign an annual declaration confirming their compliance with the code. A copy of the code is available to interested parties on request. Any breach of the code is considered a serious offence and is dealt with accordingly, therefore, breaches seldom occur. The directors believe that ethical standards are being met and that the ethics programme is fully supported.

### **10. Sustainability report**

The three-year (2010/11-2012/13) financial commitment from the shareholder has revived the company's operations. The company is therefore committed to implementing new projects as per the signed SDA and approved 2010/11 business plan. New projects and the resultant revenue will assist the company to be sustainable and move away from dependence on grant funding by the shareholder to prop up operations.

## 6.1.7 Human Resources Management

### 6.1.7.1 Organisational structure of the HCT

Organisational structure of the HCT is shown below:

```
graph TD; EC[Executive Committee] --- D1[Directorate 1]; EC --- D2[Directorate 2]; EC --- D3[Directorate 3]; EC --- D4[Directorate 4]; D1 --- D1_1[Division 1.1]; D1 --- D1_2[Division 1.2]; D1_1 --- U1[Unit 1.1.1]; D1_1 --- U2[Unit 1.1.2]; D1_2 --- U3[Unit 1.1.3]; D2 --- D2_1[Division 2.1]; D2 --- D2_2[Division 2.2]; D2_1 --- U4[Unit 2.1.1]; D3 --- D3_1[Division 3.1]; D3 --- D3_2[Division 3.2]; D3_1 --- U5[Unit 3.1.1]; D3_2 --- U6[Unit 3.1.2]; D4 --- D4_1[Division 4.1]; D4 --- D4_2[Division 4.2]; D4_1 --- U7[Unit 4.1.1]; D4_2 --- U8[Unit 4.1.2];
```

## Statistical information

| <i>Statistical information:</i>   | 2010/11       |                       | 2009/10     |                              |
|---|---------------|-----------------------|-------------|------------------------------|
| Number and cost to employer of all personnel associated with the housing function:                                  | Number<br>13* | R(000's)<br>1 942 440 | Number<br>9 | R(000s)<br><b>R1 420 342</b> |
| - Professional (engineers/consultants)  | 3             | 1 519 716             | -           | -                            |
| - Field (supervisors/foremen)   |               |                       | -           | -                            |
| - Office (clerical/administration)  | 4             | 330 213               | 6           | R1 838 060,46                |
| - Non-professional (blue collar, outside workforce)   | 6             | 92 511                | 3           | R127 652,54                  |
| - Temporary   |               |                       | -           |                              |
| - Contract  | 12            |                       | 6           |                              |
| Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package | <b>12</b>     |                       | <b>9</b>    | <b>R1 420 342</b>            |

\* One resignation during the financial year

| Key function (as per organisational structure, eg planning, connections) | 2010/11         |                        | 2009/10         |                        |
|--|-----------------|------------------------|-----------------|------------------------|
|  | Number of posts | Number of posts filled | Number of posts | Number of posts filled |
| Management   | 4               | 2                      | 4               | 3                      |
| Administration   | 9               | 5                      | 4               | 2                      |
| Field staff  | 5               | 5                      | 6               | 4                      |
| <b>TOTAL</b>   | <b>18</b>       | <b>12</b>              | <b>14</b>       | <b>09</b>              |

### Trends in personnel expenditure

| Financial year | R          |
|----------------|------------|
| 2007/8         | R2 415 928 |
| 2008/9         | R3 165 093 |
| 2009/10        | R1 965 713 |
| 2010/11        | R1 942 440 |

### Disclosure of senior staff benefits

| Incumbent     | Designation   | Remuneration package per annum (2010/11) R |
|---------------|---|--|
| M Gaffane     | CEO   | 1 404 750                                  |
| L Makibinyane | Finance Manager (two months, from 1 May 2011 to 30 June 2011) | 114 966                                    |
|               |   | 1 519 716                                  |

### Disclosures concerning board members for the period 1 July 2010 to 30 June 2011

| Director                         | Salaries and wages<br>R'000 | Q1<br>(Rands) | Q2<br>(Rands) | Q3<br>(Rands) | Q4<br>(Rands) | Total<br>(Rands) |
|----------------------------------|-----------------------------|---------------|---------------|---------------|---------------|------------------|
| Mr RC Mkhwanazi<br>(Chairperson) | R5 880,00 p/<br>meeting     | 41 600        | 28 987        | 22 328        | 58 789        | 151 704          |
| Dr MG Manthata-Setati            | R5 880,00 p/<br>meeting     | 5 943         | -             | 5 704         | 17 415        | 29 062           |
| Mr MB Gcabo                      | R5 880,00 p/<br>meeting     | 5 943         | 10 919        | 5 907         | 29 629        | 52 398           |
| Ms DM Masilela                   | R5 880,00 p/<br>meeting     | 5 943         | 10 982        | -             | 29 629        | 46 554           |
| Mr PNS Makgathe                  | R5 880,00<br>p/meeting      | 5 943         | 11 198        | 5 902         | 11 863        | 34 906           |

| Director         | Salaries<br>and wages<br>R'000 | Q1<br>(Rands) | Q2<br>(Rands) | Q3<br>(Rands) | Q4<br>(Rands)  | Total<br>(Rands) |
|------------------|--------------------------------|---------------|---------------|---------------|----------------|------------------|
| Ms LM Madikizela | R5 880,00 p/<br>meeting        | 5 943         | 11 099        | 5 902         | 17 766         | 10 711           |
| <b>TOTAL</b>     |                                | <b>71 315</b> | <b>73 185</b> | <b>45 743</b> | <b>165 091</b> | <b>355 335</b>   |

## Employment equity

| Occupational categories          |      |   |   |        |   |   | White<br>Male | Foreign nationals |        | TOTAL |  |
|----------------------------------|------|---|---|--------|---|---|---------------|-------------------|--------|-------|--|
|                                  | Male |   |   | Female |   |   |               |                   |        |       |  |
|                                  | A    | C | I | A      | C | I | W             | Male              | Female |       |  |
| Senior officials and managers    | 1    |   |   | 1      |   |   |               |                   |        | 2     |  |
| Officers                         | 1    |   |   |        |   |   |               | 1                 |        | 2     |  |
| Clerks                           | 2    |   |   | 2      |   |   |               |                   |        | 4     |  |
| Security personnel               | 3    |   |   | 1      |   |   |               |                   |        | 4     |  |
| Craft and related trades workers |      |   |   |        |   |   |               |                   |        |       |  |
|                                  |      |   |   |        |   |   |               |                   |        |       |  |
|                                  |      |   |   |        |   |   |               |                   |        |       |  |
| <b>TOTAL PERMANENT</b>           |      |   |   |        |   |   |               |                   |        |       |  |
| Non-permanent employees          | 7    |   |   | 4      |   |   |               | 1                 |        | 12    |  |
| <b>GRAND TOTAL</b>               |      |   |   |        |   |   |               |                   |        | 12    |  |

## Skills development

### Skills levies

A total of R10 533,00 was paid towards the development of skills in the 2010/11 financial year.

A total of R0,00 (zero rands) was claimed back in terms of Grant C FY2010/11.

## Performance management

Performance management was implemented on all the management levels of the organisational structure. The company rolled out the process to ensure that all the employees in supervisory positions are included in the performance management strategy. Where necessary, the training of underperforming officials formed part of the coaching and mentorship process to improve performance levels. Performance management was approached as a positive management strategy rather than a punitive one, and in that way employees felt comfortable to be part of the process.

## HIV and AIDS in the workplace

The company has an approved policy for the management of HIV and AIDS in the workplace. For the year under review, no intervention was requested and/or became necessary in this regard.

## Supply chain management

Due to the company's precarious cash-flow status during 2010/11 no tenders were advertised or awarded during the financial year under review. All goods and services procured for under R200 000,00 during 2010/11 were procured applying the approved supply chain management policy of the company which is consistent with that of the City of Tshwane and the Municipal Supply Chain Management Regulations (General Notice 868 in the *Government Gazette* 27636 of 30 May 2005).

**6.1.8 Report of the Auditor-General on the financial statements of the Housing Company Tshwane (non-profit company) to the Gauteng provincial legislature and the Council of the City of Tshwane Metropolitan Municipality**

**Introduction (Extract from the Management Report)**

5. I have audited the accompanying financial statements of the Housing Company Tshwane (non-profit company), which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the accounting officer's report as set out on pages ... to ....

**Accounting officer's responsibility for the financial statements**

6. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act 71 of 2008), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor-General's responsibility**

7. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act 25 of 2004) (PAA), and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
8. I conducted my audit in accordance with international standards on auditing and General Notice 1111 of 2010 issued in the *Government Gazette* 33872 of 15 December 2010. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
9. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
10. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

11. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Housing Company Tshwane (non-profit company) as at 30 June 2011 and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and the Companies Act, 2008.

### **Emphasis of matter**

12. I draw attention to the matter below. My opinion is not modified in respect of this matter:

#### **Fruitless and wasteful expenditure**

13. As disclosed in note 23 to the financial statements, fruitless and wasteful expenditure to the amount of R80 820 was incurred as a result of interest and penalties arising from the late payment of supplier invoices and taxes due to the South African Revenue Services (SARS).

### **Additional matter**

14. I draw attention to the matter below. My opinion is not modified in respect of this matter:

#### **Unaudited supplementary schedules**

15. The supplementary information set out on pages ... to ... does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

16. In accordance with the PAA and in terms of General Notice 1111 of 2010 issued in *Government Gazette* 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages ... to ... and the material non-compliance with laws and regulations applicable to the municipal entity.

### **Predetermined objectives**

#### **Presentation of information**

17. The reported performance information was deficient in respect of the following criterium:

- Measures taken to improve performance were not explained/included in the report on predetermined objectives.

18. The following audit findings relate to the above criterium:

- The annual performance report does not include actions that are taken to improve performance where performance targets have not been met as required by section 41(1)(d) of the MSA.

## **Compliance with laws and regulations**

### **Strategic planning and performance management**

19. The performance review in the annual performance report does not include the actual performance of all indicators and targets as required by section 46 of the MSA.
20. Targets as per the business plan for the 2010/11 financial year were not indicated for all indicators as required by section 46 of the MSA.

### **Annual financial statements, performance and annual reports**

21. The financial statements submitted for auditing were not prepared in accordance with the requirements of section 122 of the MFMA in all material respects. Material misstatements identified by the auditors were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

### **Internal audit**

22. The internal Audit Department did not function as required by section 165 of the MFMA, in that the internal Audit Department did not –
  - prepare a risk-based audit plan and an internal audit programme for the financial year under review;
  - report to the Audit Committee on the implementation of the internal audit plan; and
  - advise the accounting officer and report to the Audit Committee on matters relating to the internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.
23. The internal Audit Department did not advise the accounting officer and report to the Audit Committee on matters relating to compliance with the MFMA and other applicable legislation as required by section 165(2)(b) of the MFMA.

### **Expenditure management**

24. Money owing by the municipal entity was not always paid within 30 days of receiving an invoice or statement, as required by section 99(2)(b) of the MFMA.
25. The accounting officer did not take reasonable steps to prevent fruitless and wasteful expenditure, as required by section 95(d) of the MFMA.

### **Value-added-tax**

26. The municipal entity did not submit all monthly VAT returns for the financial year under review to SARS on time as required by section 28 of the Value-added-Tax Act, 1991.

### **South-African income tax**

27. The municipal entity did not pay the statutory deductions for PAYE (pay as you earn), the Unemployment Insurance Fund and the Skills Development Levy to SARS by the 7<sup>th</sup> of the month as required by the South African Income Tax Act, 1962.

**Internal control**

28. In accordance with the PAA and in terms of General Notice 1111 of 2010, issued in *Government Gazette* 33872 of 15 December 2010, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

## **Leadership**

29. There was a lack of oversight responsibility regarding performance reporting and compliance and related internal controls. Policies and procedures were not in all instances established and communicated to enable and support understanding and execution of internal control objectives, processes, and responsibilities. The action plans that were developed and implemented were not effective in addressing the internal control deficiencies related to performance reporting and compliance with laws and regulations.

## **Financial and performance management**

30. Controls over daily and monthly processing and reconciling of transactions were not adequately implemented. Regular, accurate and complete performance reports were not prepared throughout the financial year. Compliance with applicable laws and regulations was not adequately reviewed and monitored. Formal controls over IT systems were not implemented to ensure the reliability of the systems and the availability, accuracy and protection of information.

## **Governance**

31. Appropriate risk management activities were not implemented to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, were conducted, and a risk strategy was not developed and monitored. An adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively was not in place.

Pretoria

30 November 2011

## 6.2 Sandspruit Works Association (SWA)

### 6.2.1 Company information

Registration number: 99/19160/08

Registered address: Lucas Mangope Highway, opposite Morula Sun, next to NTI

Mabopane

Postal address: Private Bag X1124

Ga-Rankuwa

0221

Telephone number: 012 701 9700

Fax number: 012 702 9964

Bankers: Standard Bank of South Africa Limited (Odi Water Services)

ABSA Bank of South Africa Limited (Waste Water Treatment Works)

Auditors: Auditor-General

The Sandspruit Works Association (SWA) functions as a water services provider (WSP) in terms of the Water Services Act, 1997 (Act 108 of 1997). The principal activity of the company is to develop, prepare, install and maintain water and sanitation and related services to the designated areas. It also fulfils all the required financial, marketing and human resources functions.

The SWA is a Section 21 entity that became a business enterprise of the City of Tshwane Metropolitan Municipality on 1 July 2005.

The areas where the SWA provides water services on behalf of the City of Tshwane are the following:

#### **Urban**

- Ga-Rankuwa
- Mabopane
- Winterveld

#### **Informal settlements**

- Kopanong/Thusanang
- Winterveld, A Informal and EW Informal
- Units 20, 21 and 22
- Ga-Tsebe

### **6.2.2 Report of the Chairperson**

The SWA, trading as Odi Water Services, is a mechanism used by the City of Tshwane to provide water and sanitation services to the communities of Ga-Rankuwa, Mabopane and Winterveld in the North Region of Tshwane. As a municipal entity, the SWA is obligated to comply with the legislative framework which ensures accountability, transparency and consultative processes, similar to the requirements which apply to a municipality in its own right.

In the 2010/11 financial year, the SWA proved that it had acquired the necessary expertise and capacity over the years to provide sustainable water and sanitation services to its consumers, and to further assist the City of Tshwane to extend its water services areas. The SWA is further mandated to provide revenue management services in respect of the relevant area's water and sanitation services.

The SWA committed itself enthusiastically to a number of projects and demonstrated significant progress regarding setting basic standards, policies and strategic implementation. These initiatives served as a catalyst for further municipal investment and, more importantly, private sector investment.

The efforts and initiatives of the SWA contributed significantly to the renewal of confidence in the region. Crucial developments took place in Winterveld Ext 3 and Ga-Rankuwa during the 2010/11 financial year. The City of Tshwane is satisfied and believes that the SWA has executed its budget in accordance with the service delivery agreement coupled with its business plan. However, a shortfall in funding has hindered the SWA in executing its full mandate, which adversely impacted on the completion of projects and service delivery.

In conclusion I wish to thank the management and staff of the Sandspruit Works Association for the commitment, passion and enthusiasm displayed during the past year. Our acknowledgement also goes to the Executive Mayor, the Mayoral Committee and senior management of the Municipality for their continued support and guidance in ensuring that the activities are aligned with the Integrated Development Plan of the City of Tshwane.

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**ACTING CHAIRPERSON  
BOARD OF DIRECTORS**

### **6.2.3 Managing Director's foreword**

My role as accounting officer in the year under review has been characterised by two aspects in particular, namely changes and challenges. A five-year service delivery agreement was signed between the Sandspruit Works Association and the City of Tshwane and adopted by the Council on 27 May 2010. The service level agreement between the City of Tshwane and the Sandspruit Works Association provides guidelines for and the scope of the responsibilities of both parties in the contract. It is therefore imperative to note that the agreement in itself consolidates the strategic objectives of both the water service authority and the water service provider into a single objective of providing water and sanitation in a financially sustainable manner. Although the year under review presented a number of challenges, the SWA management team continued to deliver improvements.

Some of the challenges experienced were to address ageing infrastructure while managing the cost to stay within the budget, to increase revenue collection, and to meet the increasing expectations from the residents for quality service. To respond to these challenges, the SWA management had to examine and implement a variety of strategies aimed at reducing costs while rendering quality services.

The Sandspruit Works Association has repeatedly demonstrated that it will continue to co-operate with its parent municipality and meet the challenges that lie ahead. In the same spirit it should be noted that the development of the Sandspruit Works Association over the years has been in the area of low-cost housing in particular, which poses serious challenges as far as revenue collection is concerned.

The Sandspruit Works Association is, however, committed to sound corporate citizenship and has maintained its focus on ensuring that corporate governance policies and procedures are in line with best standard practices.

The performance of the staff, together with the management team, has been outstanding, and this is reflected in the SWA's achievement of obtaining an unqualified auditor's opinion for four consecutive years. The opinion was the result of the improvements made as a consequence of the previous comments of the Auditor-General South Africa.

In conclusion I wish to gratefully acknowledge the ongoing and selfless contribution of the management team, the support of the Water and Sanitation Division, the guidance of the board, and of course our staff who demonstrate their commitment and dedication by always doing their best and rendering excellent service.

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**MATSEPELA TAETSANE**  
**MANAGING DIRECTOR**

#### 6.2.4 Report of the Managing Director

SWA delivers safe and reliable drinking water and sanitation services to its customers. In deciding what needs to be done in the years ahead, a balance has to be struck between community segments, as most SWA customers are classified as indigents. Unemployment is highly prevalent in the Odi area with, on average, only one person per household being employed. Non-payment of water services is a direct result of the low household income in these areas. There are currently in excess of 10 000 registered indigent consumers (approximately 26% of current consumers) in the Odi area as reflected in the following table. It is estimated, however, that approximately 40% of all consumers in the area may be indigent.

##### Registered indigent consumers

| 2006/7 | 2007/8 | 2008/9 | 2009/10 | 2010/11 |
|--------|--------|--------|---------|---------|
| 4 635  | 5 350  | 8 960  | 10 550  | 12 666  |

The registration of indigent consumers substantially increased since 2009. This had a serious effect on the collection of revenue, since once registered; no payments are made for water services. Although the indigent consumers, in terms of the Indigent Policy, has access to a volume of 12 kℓ free water per month, 28% of the registered consumers use water in excess of that amount. These consumers are not restricted due to current ineffective restriction devices. This amounts to an unrecoverable amount of more than R650 000 per month. It is envisaged that the water management devices (WDMs) currently installed by Tshwane will address the problem and eventually resolve the issue. However, installation progress depends on funding availability. The arrears owed by consumers at the time of registration as indigents is also written off in terms of the Indigent Policy, which has a negative impact on SWA's financial viability.

SWA has set rigorous targets for further efficiency saving in future and adopted a revenue collection strategy that will enhance the percentages or figures achieved. These are listed in the following table.

### Average Year to Date revenue collection rates

|                         | Average YTD<br>2006/07 | Average YTD<br>2007/08 | Average YTD<br>2008/09 | Average YTD<br>2009/10 | Average YTD<br>2010/11 |
|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Previous months billing | R6 236 000             | R7 435 000             | R8 078 000             | R8 112 000             | R10 875 000            |
| Total payment           | R4 255 000             | R4 813 000             | R5 248 000             | R5 066 000             | R6 651 000             |
| Paid as % of billing    | 68,2                   | 64,7                   | 65,0                   | 62,5                   | 61,2                   |

The following steps are taken to increase collection of revenue:

- Auditing restricted customers.
- Introducing more effective restriction devices.
- Increasing the number of monthly committed paying customers through awareness and marketing campaigns.
- Maintaining a monthly credit control action cycle.
- Monthly monitoring of targets set and corrective actions taken.
- Individual contact with commercial consumers.
- The senior revenue services controller (key accounts) will only handle commercial and government accounts. Personal attention and focus on these accounts will increase levels of payments and improve communication.

- Identifying and focusing on individual potential high-income domestic areas to increase revenue collection.
- Introducing incentive schemes to motivate revenue services controllers and to increase payment levels.
- Focusing on a competitive spirit between decentralised offices to improve payment levels.

## Billing

- The level and efficiency of billing need to be increased through better application of the IMQS system to identify unbilled pockets.
- Setting targets and analysing deviations from projections. Abnormalities are to be compared with the water inflow to highlight areas of concern.
- The levels of payment of current invoices and arrears need to be increased through increasing the number of paying customers. The biggest challenge is rolling out credit control/marketing actions in Winterveldt.
- Revenue collection needs to be carried out more efficiently. Approval from the City of Tshwane is needed to implement the credit control process as per the proposal to the City of Tshwane (flow limiter).
- The success of the municipal courts and the use of information communication technology are tools to be rolled out together with the marketing and legal side of Odi.
- Increased interaction between marketing, operations and revenue management.
- Operational processes to ensure accuracy and to verify sustainability of our actions.

## Credit Control

- An average of 435 consumers are restricted on a monthly basis.
- The following is still of major concern and a repeat of the previous year:
  - The restriction devices are not effective.
  - Illegal reconnections are still a major concern.
  - Consumers are content with the supply of 12 kℓ.
  - Water leaks on the customers' property create an increasing outstanding amount, which usually exceeds the ability to pay.
- The City of Tshwane is currently implementing a programme to install water management devices (WDMS), which should assist in effectively restricting water consumption to indigent consumers. This programme entails the following:
  - Implementing new improved restriction devices.
  - Monitoring restricted consumers closely through the implementation of the ICI programme.
  - Pressing for regional municipal courts to attend to illegal connections.
  - Implementing municipal courts.
  - Seeking political acceptance to roll out the ITC implementation process.

The operating results for the period ended 30 June 2011 are as follows:

### Operating results

| Description                     | Budget 10/11<br>Adjusted | Actual 10/11        | Index | Note |
|---------------------------------|--------------------------|---------------------|-------|------|
|                                 | YTD Jun 11<br>R'000      | YTD Jun 11<br>R'000 |       |      |
| <b>REVENUE</b>                  |                          |                     |       |      |
| WWTW services                   | 37,498                   | 33,509              | 89.4  | 1    |
| Madibeng bulk water sales       | -                        | -                   | -     | 2    |
| Water and sanitation income     | 135,232                  | 143,722             | 106.3 | 3    |
| City of Tshwane subsidy         | 84,482                   | 79,319              | 93.9  | 4    |
| Sundry income                   | 5,490                    | 3,484               | 63.5  |      |
|                                 | 262,702                  | 260,034             | 98.9  |      |
| Interest received               | 20,928                   | 19,760              | 94.4  | 5    |
|                                 | 283,630                  | 279,794             | 98.6  |      |
| Government grants               | 5,528                    | 5,977               | 108.1 | 6    |
| Total revenue                   | 289,158                  | 285,771             | 98.8  |      |
| <b>EXPENDITURE</b>              |                          |                     |       |      |
| Bulk water purchases            | 72,953                   | 71,653              | 98.2  | 7    |
| Employee costs                  | 59,837                   | 64,375              | 107.6 | 8    |
| Operational expenses            | 156,368                  | 152,337             | 97.4  | 9    |
|                                 | 289,158                  | 288,365             | 99.7  |      |
| Interest paid                   | -                        | -                   |       |      |
| Total expenditure               | 289,158                  | 288,365             | 99.7  |      |
| Operational surplus/(shortfall) | -                        | -2,594              |       |      |

The financial result in respect of Odi Water Services reflects the policy of recovering all operational losses from the City of Tshwane. The deficit of R2 845 000 is in respect of the waste water treatment plant, and mainly due to increased electricity, salaries and depreciation of assets. The supply of bulk water to Madibeng has been taken over by the City of Tshwane from 1 July 2010, and is not reflected in the results.

### Operating Revenue

The following is a breakdown and description of the largest categories of revenue for the financial period:

### Notes to the Financial Results

| Note | Income Source                           | Description  | Amount<br>Actual<br>R'000 |
|------|---|--|---------------------------|
| 1    | WWTW Services                           | The amount reflects the income from City of Tshwane in respect of the treatment of bulk waste water. The actual income is reduced in line with the reduced expenses on contracts paid directly by the City of Tshwane. | 33 509                    |
| 2    | Madibeng Municipality bulk water supply | Bulk water supplied to the Madibeng area was taken over by the City of Tshwane on 1 July 2010.   | -                         |
| 3    | Water and Sanitation Odi Water Services | Revenue through water and sanitation sales in the Tshwane area of supply has not met the demand in terms of the adjusted budget.   | 143 722                   |
| 4    | City of Tshwane subsidy                 | The subsidy recovered from the City of Tshwane is R5,1 million less than the adjusted budget, mainly as a result of saving in operational expenses.  | 79 319                    |
| 5    | Interest                                | Interest income on consumers' accounts was reduced due to the indigent account balances written off in line with the Indigent Policy.  | 19 760                    |
| 6    | Government grants                       | Government grants received from DWAF for the Tshwane area of supply in terms of the DORA allocation. The grant for 2010/11 was slightly increased by DWAF in relation to the budget.                                   | 5 977                     |

### Operating Expenditure

#### Notes to the Financial Results

| Note | Expense Source       | Description  | Amount<br>Actual<br>R'000 |
|------|----------------------|--|---------------------------|
| 7    | Bulk water purchases | The amount reflects the total bulk water purchases from Rand Water for distribution in City of Tshwane areas. Bulk purchases were within the adjusted budget.  | 71 653                    |
| 8    | Employee cost        | Employee cost exceeded the budget by 7,5%. This is mainly as a result of the restructuring of salaries being implemented over two years and not three years as per the budget.   | 64 375                    |
| 9    | Operational expenses | <p>Saving of 2,6% on the adjusted budget.</p> <p>The following were major differences:</p> <p>Waste Water Treatment Works:</p> <ul style="list-style-type: none"> <li>a. Exceeded electricity by R1,7 million.</li> <li>b. Exceeded salaries by R0,7 million as a result of restructuring.</li> <li>c. Adjustment of R0,7 million in depreciation.</li> </ul> <p>Odi Water Services:</p> <ul style="list-style-type: none"> <li>a. Exceeded debtors impairment adjustment by R8 million.</li> <li>b. Saving on collection cost: R3 million.</li> <li>c. Saving on capital expenditure: R3 million.</li> <li>d. Overheads saving of R7 million.</li> <li>e. Saving water bulk purchases: R1,3 million.</li> </ul> | 152 337                   |

The following indicates the breakdown per main expenditure group:

### Operating Expenditure

### Performance Analysis

#### Performance measurement in terms of Tshwane Business Plan

|  |  |  |  | Actual |
|--|--|--|--|--------|
|  |  |  |  |        |

| KPA                          | Departmental Key Performance Indicator  | Departmental Targets   | Baseline Target | Annual Target | Results Quarter 4 |
|------------------------------|---|--|-----------------|---------------|-------------------|
| Sustainability management    | KPI% of municipal debtors over 90 days<br>Efficiency gains in rand value due to the implementation of alternate service delivery mechanisms | Reduce municipal entities debtors over 90 days from 90% to 70% by 2015.          | 95%             | 85,0%         | 91,8%             |
|                              |   | All bills sent have correct information relating to the customer amounts owing   | 100%            | 100%          | 98%               |
|                              |   | All revenue generation targets are realised by departments that generate revenue | 61,9%           | 67,5%         | 64,3%             |
|                              |   | Increase meter reading by 2%per annum.   | 80,0%           | 82,0%         | 94,8%             |
| Prudent financial management | The budget spent is in line with the business plan  | Ensure that 99% of all creditors are paid within 30 days (2010)                  | 98%             | 98%           | 98%               |

The following key indicators are utilised to describe the context of the SWA operations. The previous year's figures include Madibeng Municipality bulk water supply.

### Operational:

| Description                       | 2006/2007  | 2007/08    | 2008/09    | 2009/10    | 2010/11     |
|-----------------------------------|------------|------------|------------|------------|-------------|
| Number of conventional consumers  | 56 836     | 60 952     | 62 236     | 47 002     | 48 308      |
| Registered indigents              | 4 634      | 5 350      | 8 959      | 11 500     | 12 666      |
| Number of Kℓ water purchased      | 26 059 281 | 25 207 373 | 26 427 836 | 23 553 400 | 18 122 933  |
| Number of Kℓ water distributed    | 25 690 081 | 24 771 629 | 24 750 227 | 22 142 545 | 17 353 108  |
| % bulk loss                       | 1,4%       | 1,7%       | 3,5%       | 6,0%       | 4,25%       |
| Number of kilolitres sold         | 17 864 301 | 18 048 462 | 19 939 287 | 22 142 545 | 14 570 530  |
| % Kilolitres lost in distribution | 30,5%      | 27,1%      | 18,7%      | 19,3%      | 16,04%      |
| % UAW total                       | 31,9%      | 28,8%      | 22,2%      | 24,1%      | 19,60%      |
| Indigent debt outstanding         | R9 439 000 | R8 342 000 | R4 387 012 | R9 707 782 | R18 268 886 |

## 2 Statement of responsibility by the Board

In accordance with the Companies Act (Act 71 of 2008), the Municipal Finance Management Act (Act 56 of 2003) and King III, the Board is required to prepare annual financial statements that comply with generally accepted accounting practice.

The Board is responsible for ensuring that complete, accurate and reliable accounting records form the basis for preparing annual financial statements. The consolidated financial statements include judgements and estimates that are reasonable and prudent. These were made by management, and were reviewed and accepted by the Board. The Board also ensures that accounting policies are appropriate to the group's circumstances. In order to achieve this objective, the Board relies on internal control systems that are set up and maintained by management.

Independent internal auditors assist the Board in their task of ensuring that internal controls are adequate and operate as intended throughout the financial year under review. The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute, assurance that the assets are safeguarded and transactions executed and recorded in accordance with generally accepted business practices, as well as with the company's policies and procedures. However, the Board has the ultimate responsibility for this system of internal controls, and the effectiveness of its operations is reviewed primarily through the Audit Committee.

The Board has every reason to believe that Sandspruit has adequate resources in place to continue operation in the foreseeable future and has for this reason adopted the going concern basis in preparing the annual financial statements.

The Auditor-General of South Africa, who was given unrestricted access to all financial records and related data, including minutes of meetings of the Board and committees of the Board, has audited the annual financial statements. The Board believes that all representations made to the independent auditors during their audit are valid and appropriate.

The Board is of the opinion that the consolidated financial statements fairly present the financial position of the company on 30 June 2011, and the results of its operations and cash flows for the year then ended. Material facts or circumstances between the accounting date and the date that the report was signed are disclosed in the annual financial statements.

The annual financial statements were approved by the Board on 19 August 2011 and signed on its behalf by:

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**ACTING CHAIRPERSON  
MATSEPELA TAETSANE  
BOARD OF DIRECTORS  
MANAGING DIRECTOR**

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#### **6.2.5 Financial Performance**

The South African economy performed weakly during 2009, but has slightly recovered since the beginning of 2010. The weak economy had a negative influence on job security, with the result that payment levels on consumer accounts drastically reduced during the financial period reported. Interest

rates remained stable and the rand remained strong despite lower interest rates. Sandspruit closed with a R41-million positive bank balance which reflects its strong financial health.

The operating result for the year within the Water Services Provision Division was well within budget. The Waste Water Treatment Division has shown an operating loss of R2,6 million due to an extensive repairs and maintenance programme on the plants.

## 1 Revenue

The operating revenue consists of the following:

| Revenue             | 2010    | 2011    |
|---------------------|---------|---------|
|                     | R'000   | R'000   |
| Waste water income  | 28,170  | 33,509  |
| Retail water income | 129,492 | 143,722 |
| Other income        | 76      | 3,484   |
| CTMM subsidy        | 58,872  | 79,319  |
| Government grants   | 7,898   | 5,977   |
| Interest received   | 20,816  | 19,760  |
| Total revenue       | 245,325 | 285,771 |

The increase in revenue results from the increase in the CTMM subsidy by 34% and the increase in waste water income of 19%. Also to be noted is a 24% decrease in government grants.

The subsidy from the shareholder, the City of Tshwane Metropolitan Municipality, has increased by 66%. The improved financial position was as a result of the cancellation of the contract with Madibeng Municipality. The subsidy from the Department of Water Affairs (DWA) decreased from R7 million to R5 million compared to the previous year. Despite the decreases in subsidies, revenue has steadily increased due to increased demand on the services.

## 2 Results of Operations

### Financial

| Expenditure                   | 2010        | 2011        |
|-------------------------------|-------------|-------------|
|                               | R           | R           |
| Debt impairment               | 62,407,126  | 70,108,938  |
| Billing expenses              | 3,985,245   | 4,194,322   |
| Depreciation and amortisation | 2,981,228   | 3,498,899   |
| Employee related expenses     | 48,468,548  | 64,375,127  |
| Finance costs                 | 1,160,516   | 232,823     |
| General expenses              | 117,048,848 | 128,575,357 |
| Loss on disposal of assets    | 9,562       | -           |
| Repairs and maintenance       | 22,526,350  | 17,112,552  |
| Workshops and conferences     | 131,191     | 266,907     |

|                   |             |             |
|-------------------|-------------|-------------|
| Total Expenditure | 258,718,614 | 288,364,925 |
|-------------------|-------------|-------------|

Operational costs increased by 11,45% with a total cost of R288 million, compared to R258 million the previous year. The following table lists the major expenditure components that resulted in the increase of operational expenses.

| Expenditure                          | %       |
|--------------------------------------|---------|
| Debt impairment                      | 12,341% |
| Depreciation and amortisation        | 17,364% |
| Employee related expenses            | 32,857% |
| General expenses (Authority Billing) | 9,841%  |

Debt impairment increased by 12,3%, mainly as a result of the increase in registered indigents, which resulted in the arrears being written off in terms of the Indigent Policy.

#### Assessment of arrears on municipal taxes and service charges

#### Amounts owed by consumers

| Sandspruit Works Association - Supporting Table F3 Entity Aged debtors – 30 June 2011 |            |                      |                 |                    |                     |                      |                      |                         |                   |             |              |             |
|---|------------|----------------------|-----------------|--------------------|---------------------|----------------------|----------------------|-------------------------|-------------------|-------------|--------------|-------------|
| Detail<br>R<br>thousands  | NT<br>Code | Current Year 2010/11 |                 |                    |                     |                      |                      |                         |                   |             |              |             |
|   |            | 0 - 30<br>Days       | 31 - 60<br>Days | 61 -<br>90<br>Days | 91 -<br>120<br>Days | 121 -<br>150<br>Days | 151 -<br>180<br>Days | 181<br>Days -<br>1 Year | Over<br>1<br>Year | Total       | Bad<br>Debts | >90<br>days |
| Debtors<br>Age<br>Analysis By<br>Revenue<br>Source                                    |            |                      |                 |                    |                     |                      |                      |                         |                   |             |              |             |
| Rates   | 1 200      |                      |                 |                    |                     |                      |                      |                         |                   | –           |              | –           |
| Electricity   | 1 300      |                      |                 |                    |                     |                      |                      |                         |                   | –           |              | –           |
| Water   | 1 400      | 8,852                | 8,681           | 7,284              | 6,522               | 6,582                | 7,354                | 257,530                 |                   | 302,8<br>05 | 292,568      | 277,988     |
| Sewerage /<br>Sanitation  | 1 500      | 2,664                |                 |                    |                     |                      |                      |                         |                   | 2,664       |              | –           |
| Refuse<br>Removal   | 1 600      |                      |                 |                    |                     |                      |                      |                         |                   | –           |              | –           |
| Housing<br>(Rental<br>Revenue)  | 1 700      |                      |                 |                    |                     |                      |                      |                         |                   | –           |              | –           |
| Other   | 1 900      |                      |                 |                    |                     |                      |                      |                         |                   | –           |              | –           |
| Total by<br>Income<br>Source  | 2 000      | 11,516               | 8,681           | 7,284              | 6,522               | 6,582                | 7,354                | 257,530                 |                   | 305,469     | 292,568      | 277,988     |
| Debtors<br>Age<br>Analysis by<br>Customer<br>Group                                    |            |                      |                 |                    |                     |                      |                      |                         |                   |             |              |             |
| Government  | 2 200      | 3,459                | 323             | 212                | 96                  | 93                   | 38                   | 5,345                   |                   | 9,566       | –            |             |
| Business  | 2 300      | 1,419                | 530             | 359                | 313                 | 362                  | 296                  | 5,681                   |                   | 8,960       | –            |             |
| Households  | 2 400      | 6,638                | 7,828           | 6,714              | 6,112               | 6,127                | 7,019                | 246,505                 |                   | 286,943     | –            |             |
| Other   | 2 500      |                      |                 |                    |                     |                      |                      |                         |                   | –           | 292,568      |             |
| Total by<br>Customer  | 2 600      | 11,516               | 8,681           | 7,285              | 6,521               | 6,582                | 7,353                | 257,531                 | –                 | 305,469     | 292,568      |             |

| Sandspruit Works Association - Supporting Table F3 Entity Aged debtors – 30 June 2011 |            |                      |                 |                    |                     |                      |                      |                         |                   |       |              |
|---|------------|----------------------|-----------------|--------------------|---------------------|----------------------|----------------------|-------------------------|-------------------|-------|--------------|
| Detail<br>R<br>thousands<br>Group   | NT<br>Code | Current Year 2010/11 |                 |                    |                     |                      |                      |                         |                   |       |              |
|   |            | 0 - 30<br>Days       | 31 - 60<br>Days | 61 -<br>90<br>Days | 91 -<br>120<br>Days | 121 -<br>150<br>Days | 151 -<br>180<br>Days | 181<br>Days -<br>1 Year | Over<br>1<br>Year | Total | Bad<br>Debts |
|   |            |                      |                 |                    |                     |                      |                      |                         |                   |       |              |

Amounts owed to the entity for service charges

| AREA                   | STAND | BALANCE<br>ACCUMULATED | COMMENTS  |
|------------------------|-------|------------------------|---|
| MABOPANE STATION       |       | 92,177.92              | Current   |
| KEATLARETSE EARLY LR   | 5797  | 72,541.56              | Handed to City of Tshwane (E Victor)                |
| MABOPANE INDOOR SPOR   |       | 58,518.61              | Remittance requested                                |
| ROAD AND STORM DIV     | ROADS | 44,452.40              | Query   |
| ROADS & STORM WATER    | 5204B | 40,127.62              | Arranged to raise arrear charges on future invoices |
| WASTE MANAGEMENT       | 2031  | 39,096.38              | To be paid  |
| ZONE 7 PARK 4          | 662   | 37,466.05              | Current   |
| BOEKENHOUT GOLF COURSE |       | 34,748.18              | Paid  |
| GA-RANKUWA STADIUM     |       | 32,604.51              | Account recon sent to the department                |
| EMALAHLENI SKILL DEV   | 5086  | 26,887.50              | Account recon sent to the department                |
| MULTIPURPOSE CENTRE    | 1480  | 22,084.11              | Account recon sent to the department                |
| BLOCK M PARK 2         | ARK2  | 21,746.82              | Current   |
| DUBE COMMUNITY HALL    | 626   | 19,664.38              | Handed to City of Tshwane (E Victor)                |
| ZONE 25 PARK 13        | AR13  | 19,654.69              | Remittance requested                                |
| ZONE 25 PARK 12        | AR12  | 17,313.77              | Remittance requested                                |
| ZONE 25 PARK 8         | ARK8  | 16,804.88              | Remittance requested                                |
| ZONE 25 PARK 9         | ARK9  | 15,832.32              | Remittance requested                                |
| WINTERVELDT COUNCIL    | 1657  | 15,714.67              | Account recon sent to the department                |
| ZONE 1 PARK 4          | P3    | 14,712.75              | Remittance requested                                |
| GA-RANKUWA TRC         | 9111A | 13,071.28              | Account recon sent to the department                |
| ZONE 1 CIRCLE PARK     |       | 12,903.73              | Remittance requested                                |
| SOCIAL DEVELOPMENT     | 144   | 12,166.75              | Query - account overcharged                         |
| 28 BLOCK U PARK 3      | PARKU | 11,291.24              | Remittance requested                                |
| ZONE 25 PARK 25        |       | 11,127.86              | Remittance requested                                |
| ZONE 23 PARK 1 GARAN   |       | 9,589.86               | Remittance requested                                |
| ZONE 25 PARK 11        | AR11  | 9,578.55               | Remittance requested                                |
| BLOCK X PARK           |       | 8,241.06               | Remittance requested                                |
| ZONE 23 PARK 6         | ARK3  | 7,554.27               | Remittance requested                                |
| BOEKENHOUT PARK        | 2/1   | 7,373.34               | Remittance requested                                |
| CASANTRA PARK GARANK   |       | 5,720.52               | Remittance requested                                |
| ZONE 8 PARK 1          | 2304  | 5,143.52               | Remittance requested                                |
| SUPERINTENDENT OFFICE  | 9035  | 5,094.74               | Account recon sent to the department                |
| SEWERAGE TREATMENT     |       | 5,077.65               | Current   |
| ZONE 1 PARK 2          | P1    | 4,987.55               | Current   |
| FIRE DEPT FALT         | 11/16 | 4,968.92               | Account recon sent to the department                |
| ZONE 25 PARK 10        | AR10  | 4,761.00               | Current   |
| ZONE 7 PARK 1          | 663   | 4,749.70               | Current   |
| WINTRVELDT CBD         | 1541  | 4,719.37               | Account recon sent to the department                |
| BLOCK X REVENUE OFFICE | 1653  | 4,513.05               | Paid  |
| ZONE 21 PARK B         | PARKB | 4,127.71               | Current   |
| ZONE 20 PARK 6         |       | 4,040.47               | Current   |
| MABOPANE FIRE STATION  | 1001  | 3,628.21               | Account recon sent to the department                |
| ZONE 20 PARK 7         |       | 3,594.39               | Current   |
| BLOCK D PARK           |       | 3,358.71               | Current   |
| ZONE 23 PARK 5         | ARK5  | 2,781.96               | Current   |
| BLOCK M PARK 1         | ARK1  | 2,390.14               | Current   |
| TSHWANE METRO COUNCIL  | 1864  | 2,196.72               | Current   |

| AREA                  | STAND | BALANCE ACCUMULATED | COMMENTS                             |
|-----------------------|-------|---------------------|--------------------------------------|
| ZONE 25 PARK 1        |       | 2,006.94            | Current                              |
| SLOVO PARK            |       | 1,899.88            | Current                              |
| ZONE 8 PARK 3         | 2307  | 1,875.32            | Current                              |
| GA-RANKUWA SKILL BUSI | 5030  | 1,728.19            | Account recon sent to the department |
| ZONE 20 PARK 2        | ARK2  | 1,423.15            | Current                              |
| MABOP SUPRENT OFFICE  | 2033  | 1,206.53            | Current                              |
| BLOCK V PARK V        |       | 1,139.67            | Current                              |
| MABOPANE OFFICE -B    | 2729  | 1,004.71            | Current                              |
| MABOPANE WASTE MANAG  | 5206  | 770.64              | Current                              |
| CENTRAL VIEW PARK     | 1002  | 769.00              | Current                              |
| LEBANON PARK 3        | 524   | 537.06              | Current                              |
| ZONE 17 PARK GARANKU  | 9714  | 520.20              | Current                              |
| ZONE 23 PARK 3 GARAN  |       | 271.41              | Current                              |
| STD 4977              | 4977  | 113.09              | Account finalised                    |
| ZONE 1 PARK 3         | ARK3  | 72.38               | Current                              |
| BLOCK S PARK 2        |       | 56.55               | Current                              |
| ZONE 7 PARK 3         |       | 33.93               | Current                              |
| BLOCK S PARK 1        | 7295  | 30.22               | Current                              |
| ZONE 20 PARK 5        | ARK5  | 11.30               | Current                              |
| ZONE 18 PARK          | 2311  | 7.83                | Current                              |
|                       |       | 836,379.39          |                                      |

### Assessment of municipal accounts of directors and senior managers

| Name of Director/<br>Senior Manager | Designation       | Name of<br>Municipality | Municipal Account Name &<br>Account Number and | Account Status |
|-------------------------------------|-------------------|-------------------------|--|----------------|
| M J Taetsane                        | Managing Director | Ekurhuleni              | MJ Taetsane<br>2202285068                      | Current        |
| P Avenant                           | Financial Manager | City of Tshwane         | P Avenant<br>2052509091 and<br>5004372309      | Current        |
| S Baronian                          | Operation Manager | Johannesburg            | S Baronian<br>LUM0023A                         | Current        |
| S Mokwena                           | Human Resource M  | City of Tshwane         | S Mokwena<br>1012274592                        | Current        |
| S Nkosi                             | Marketing Manager | City of Tshwane         | S Nkosi<br>5002048904 and<br>0310546798 2      | Current        |

### Statement on amounts owed by government departments and public entities

| NAME                      | ADDRESS          | STAND | AMOUNT       | COMMENTS                               |
|---------------------------|------------------|-------|--------------|--|
| ABEL MOTSHWANE<br>SCHOOL  | PRIVATE BAG X314 | 2788  | R 391,185.34 | District office to bail out the school |
| ATELEGANG HIGH<br>SCHOOL  | PRIVATE BAG X526 | 4555  | R 4,343.82   | Arrangement                            |
| BAFETI MIDDLE<br>SCHOOL   | PRIVATE BAG X 61 | 2299  | R 1,207.34   | current only                           |
| BANA PRIMARY<br>SCHOOL    | PO BOX 238       | 2513  | R 490.06     | current only                           |
| BODUBELO PRIMARY          | PO BOX 103       | 1     | R 2,497.36   | current only                           |
| BOEKENHOUT CLINIC         | DEPT OF HEALTH   | 705   | R 6,239.22   | Awaiting remittance                    |
| BOEKENHOUT CLINIC         | DEPT OF HEALTH   |       | R 4,865.11   | Awaiting remittance                    |
| BOEKENHOUT GOLF<br>COURSE | BLOCK A          |       | R 34,748.18  | Credit to be passed                    |
| BOIKANYO PRIM<br>SCHOOL   | PO BOX 147       | 6144  | R 863.45     | current only                           |
| BOITEKANELO P<br>SCHOOL   | PO BOX 81        | 734   | R 3,212.00   | current only                           |

| NAME                   | ADDRESS                | STAND | AMOUNT      | COMMENTS   |
|------------------------|------------------------|-------|-------------|--|
| BOLOKANANG PRI SCHOOL  | 2831 ZONE 2            | 2831  | R 3,320.97  | current only                                       |
| BOTSALO PRIMARY SCHOOL | PO BOX 94              | 4554  | R 1,819.89  | current only                                       |
| CHANA MOKOENA P SC     | 2202 GARANKUWA VIEW    | 2202  | R 11,727.20 | District office to bail out the school             |
| CICUIT OFFICE          | 4449 STAND B           | 4449  | R 113.09    | current only                                       |
| CITY OF TSHWANE        | MABOPANE STATION       |       | R 92,177.92 | current only                                       |
| CITY OF TSHWANE        | KEATLARETSE EARLY LR   | 5797  | R 72,541.56 | Account handed to City of Tshwane                  |
| CITY OF TSHWANE        | MABOPANE INDOOR SPOR   |       | R 58,518.61 | Part paid  |
| CITY OF TSHWANE        | ROAD AND STORM DIV     | ROADS | R 44,452.40 | Pending query                                      |
| CITY OF TSHWANE        | WASTE MANAGEMENT       | 2031  | R 39,096.38 | Referred for disconnection                         |
| CITY OF TSHWANE        | ZONE 7 PARK 4          | 662   | R 37,466.05 | Credit to be passed                                |
| CITY OF TSHWANE        | GARANKUWA STADIUM      |       | R 32,604.51 | Reconciliation sent. Awaiting feedback for payment |
| CITY OF TSHWANE        | EMALAHLENI SKILL DEV   | 5086  | R 26,887.50 | Reconciliation sent. Awaiting feedback for payment |
| CITY OF TSHWANE        | MULTIPURPOSE CENTRE    | 1480  | R 22,084.11 | Reconciliation sent. Awaiting feedback for payment |
| CITY OF TSHWANE        | BLOCK M PARK 2         | ARK2  | R 21,746.82 | current only                                       |
| CITY OF TSHWANE        | DUBE COMMUNITY HALL    | 626   | R 19,664.38 | Account handed to City of Tshwane                  |
| CITY OF TSHWANE        | ZONE 25 PARK 13        | AR13  | R 19,654.69 | current only                                       |
| CITY OF TSHWANE        | ZONE 25 PARK 12        | AR12  | R 17,313.77 | current only                                       |
| CITY OF TSHWANE        | ZONE 25 PARK 8         | ARK8  | R 16,804.88 | Current only                                       |
| CITY OF TSHWANE        | ZONE 25 PARK 9         | ARK9  | R 15,832.32 | Current only                                       |
| CITY OF TSHWANE        | WINTERVELDT COUNCIL    | 1657  | R 15,714.67 | Reconciled. Meeting to be arranged                 |
| CITY OF TSHWANE        | ZONE 1 PARK 4          | P3    | R 14,712.75 | Current only                                       |
| CITY OF TSHWANE        | GARANKUWA TRC          | 9111A | R 13,071.28 | Reconciled. Meeting to be arranged                 |
| CITY OF TSHWANE        | ZONE 1 CIRCLE PARK     |       | R 12,903.73 | Current only                                       |
| CITY OF TSHWANE        | 28 BLOCK U PARK 3      | PARKU | R 11,291.24 | Current only                                       |
| CITY OF TSHWANE        | ZONE 25 PARK 25        |       | R 11,127.86 | Current only                                       |
| CITY OF TSHWANE        | ZONE 23 PARK 1 GARAN   |       | R 9,589.86  | Current only                                       |
| CITY OF TSHWANE        | ZONE 25 PARK 11        | AR11  | R 9,578.55  | Current only                                       |
| CITY OF TSHWANE        | BLOCK X PARK           |       | R 8,241.06  | Current only                                       |
| CITY OF TSHWANE        | ZONE 23 PARK 6         | ARK3  | R 7,554.27  | Current only                                       |
| CITY OF TSHWANE        | BOEKENHOUT PARK        | 2/1   | R 7,373.34  | Current only                                       |
| CITY OF TSHWANE        | CASANTRA PARK GARANK   |       | R 5,720.52  | Current only                                       |
| CITY OF TSHWANE        | ZONE 8 PARK 1          | 2304  | R 5,143.52  | Current only                                       |
| CITY OF TSHWANE        | SUPERINTENDENT OFFICE  | 9035  | R 5,094.74  | Reconciled. Meeting to be arranged                 |
| CITY OF TSHWANE        | SEWERAGE TREATMENT     |       | R 5,077.65  | Cheque to be picked up                             |
| CITY OF TSHWANE        | ZONE 1 PARK 2          | P1    | R 4,987.55  | Current only                                       |
| CITY OF TSHWANE        | ZONE 25 PARK 10        | AR10  | R 4,761.00  | Current only                                       |
| CITY OF TSHWANE        | ZONE 7 PARK 1          | 663   | R 4,749.70  | Current only                                       |
| CITY OF TSHWANE        | WINTERVELDT CBD        | 1541  | R 4,719.37  | Reconciled. Meeting to be arranged                 |
| CITY OF TSHWANE        | BLOCK X REVENUE OFFICE | 1653  | R 4,513.05  | Reconciled. Meeting to be arranged                 |
| CITY OF TSHWANE        | ZONE 21 PARK B         | PARKB | R 4,127.71  | Current only                                       |
| CITY OF TSHWANE        | ZONE 20 PARK 6         |       | R 4,040.47  | Current only                                       |
| CITY OF TSHWANE        | ZONE 20 PARK 7         |       | R 3,594.39  | Current only                                       |
| CITY OF TSHWANE        | BLOCK D PARK           |       | R 3,358.71  | Current only                                       |
| CITY OF TSHWANE        | ZONE 23 PARK 5         | ARK5  | R 2,781.96  | Current only                                       |
| CITY OF TSHWANE        | BLOCK M PARK 1         | ARK1  | R 2,390.14  | Current only                                       |
| CITY OF TSHWANE        | TSHWANE METRO COUNCIL  | 1864  | R 2,196.72  | Reconciled. Meeting to be arranged                 |
| CITY OF TSHWANE        | ZONE 25 PARK 1         |       | R 2,006.94  | Current only                                       |
| CITY OF TSHWANE        | SLOVO PARK             |       | R 1,899.88  | Current only                                       |
| CITY OF TSHWANE        | ZONE 8 PARK 3          | 2307  | R 1,875.32  | Current only                                       |
| CITY OF TSHWANE        | GARANKUWA SKILL BUSI   | 5030  | R 1,728.19  | Reconciled. Meeting to be arranged                 |
| CITY OF TSHWANE        | ZONE 20 PARK 2         | ARK2  | R 1,423.15  | Current only                                       |
| CITY OF TSHWANE        | MABOP SUPRENT          | 2033  | R 1,206.53  | Reconciled. Meeting to be arranged                 |

| NAME                    | ADDRESS              | STAND | AMOUNT       | COMMENTS   |
|-------------------------|----------------------|-------|--------------|--|
|                         | OFFICE               |       |              |  |
| CITY OF TSHWANE         | BLOCK V PARK V       |       | R 1,139.67   | Current only                                       |
| CITY OF TSHWANE         | MABOPANE OFFICE -B   | 2729  | R 1,004.71   | Reconciled. Meeting to be arranged                 |
| CITY OF TSHWANE         | MABOPANE WASTE MANAG | 5206  | R 770.64     | Current only                                       |
| CITY OF TSHWANE         | CENTRAL VIEW PARK    | 1002  | R 769.00     | Current only                                       |
| CITY OF TSHWANE         | LEBANON PARK 3       | 524   | R 537.06     | Current only                                       |
| CITY OF TSHWANE         | ZONE 17 PARK GARANKU | 9714  | R 520.20     | Current only                                       |
| CITY OF TSHWANE         | ZONE 23 PARK 3 GARAN |       | R 271.41     | Current only                                       |
| CITY OF TSHWANE         | ZONE 1 PARK 3        | ARK3  | R 72.38      | Current only                                       |
| CITY OF TSHWANE         | BLOCK S PARK 2       |       | R 56.55      | Current only                                       |
| CITY OF TSHWANE         | ZONE 7 PARK 3        |       | R 33.93      | Current only                                       |
| CITY OF TSHWANE         | BLOCK S PARK 1       | 7295  | R 30.22      | Current only                                       |
| CITY OF TSHWANE         | ZONE 16 PARK         | 812   | R 11.31      | Current only                                       |
| CITY OF TSHWANE         | ZONE 20 PARK 5       | ARK5  | R 11.30      | Current only                                       |
| CITY OF TSHWANE         | ZONE 18 PARK         | 2311  | R 7.83       | Current only                                       |
| D H MOKOMA H SCHOOL     | PRIVATE BAG X559     | 487   | R 763.04     | current only                                       |
| DEPT EDU (MEKWA D)      | 30 BLOCK U           | 30    | R 1,525.06   | Disconnected                                       |
| DEPT HEALTH SOC WELF    | 775 ZONE 7           | 775   | R 3,393.24   | Disconnected                                       |
| DEPT OF EDUCATION       | 190 BLOCK C          | 190   | R 36.92      | Current only                                       |
| DEPT OF PRESIDENCY      | 677 ZONE 7           | 677   | R 635.36     | Current only                                       |
| DEPT OF PRISON          | 911 BLOCK U          | 911   | R 17,229.85  | Disconnected                                       |
| DEPT OF PRISON          | 924 BLOCK U          | 924   | R 3,958.65   | On arrangement                                     |
| DEPT OF PRISON          | 918 BLOCK U          | 918   | R 657.03     | On arrangement                                     |
| DEPT OF PRISON          | 914 BLOCK U          | 914   | R 101.05     | Current only                                       |
| DEPT OF PUBLIC WORKS    | 5429 BLOCK M FLATS   | 5429  | R 24,666.10  | Connection fees paid                               |
| DEPT OF PUBLIC WORKS    | GARANKUWA ZONE 15    |       | R 17,993.68  | Paid in full                                       |
| DEPT OF PUBLIC WORKS    | 2882 ZONE 8          | 2882  | R 415.47     | Current only                                       |
| DEPT OF TRANSPORT       | 247 ZONE 16          | 247   | R 13,983.15  | Disconnected                                       |
| DEPT OF WORKS           | 1058 ZONE 7          | 1058  | R 40,117.71  | Disconnected                                       |
| DEPT OF WORKS           | 884 BLOCK U          | 884   | R 5,731.57   | Disconnected                                       |
| DEPT OF WORKS           | 1057 ZONE 7          | 1057  | R 4,517.40   | Disconnected                                       |
| DEPT OF WORKS           | 4445 B BLOCK B       | 4446  | R 414.83     | Current only                                       |
| DIKGAKOLOGO P SCHOOL    | PRIVATE BAG X304     | 1336  | R 1,617.16   | Current only                                       |
| DISTRIC COMMANDANT      | 263 ZONE 16          | 263   | R 3,067.74   | Disconnected                                       |
| DITSHABA PRIM SCHOOL    | PO BOX 143           | 2017  | R 2,417.66   | Paid in full                                       |
| DITSHEGO MID SCHOOL     | PRIVATE BAG X522     | 4444  | R 41,559.87  | District office to bail out the school             |
| DR MOREOSELE H/SCHOOL   | PRIVATE BAG X517     | 2163  | R 30,540.93  | District office to bail out the school             |
| DR S MOTSUENYANE SCHOOL | STAND 1571           | 1571  | R 293,374.11 | District office to bail out the school             |
| DUBE POLICE STATION     | PRIVATE BAG X120     | 626   | R 135.71     | Current only                                       |
| EMA PRIMARY SCHOOL      | PO BOX 1106          | 4272  | R 10,228.57  | District office to bail out the school             |
| FIRE DEPT FALT          | ATT : ELAINE NELSON  | 11/16 | R 4,968.92   | Reconciliation sent. Awaiting feedback for payment |
| GALEBOE MIDDLE SCHOOL   | P O BOX 247          | 1459  | R 111,200.78 | District office to bail out the school             |
| GARANKUWA TECH          | 1636 ZONE 7          | 1636  | R 117,137.28 | District office to bail out the school             |
| GOV HOUSE A             | 6600A ZONE 6         | 6600  | R 8,482.98   | Disconnected                                       |
| HELEN MAY PRE SCHOOL    | 237 BLOCK U          | 236   | R 110.93     | Current only                                       |
| HOLELE HIGH SCHOOL      | PRIVATE BAG X1050    | 6545  | R 53,758.85  | District office to bail out the school             |
| IKAGENG PRIM SCHOOL     | 2830 ZONE 2          | 2830  | R 1,617.49   | Current only                                       |
| IKELENG P SCHOOL        | PO BOX 780           | 138   | R 6,987.31   | District office to bail out the school             |
| INTELIGENCE SERVICES    | 508 BLOCK C          | 508   | R 608.91     | On arrangement                                     |
| INTELLIGENCY OFFICES    | BLOCK U              |       | R 78,654.05  | District office to bail out the school             |

| NAME                     | ADDRESS            | STAND | AMOUNT         | COMMENTS   |
|--------------------------|--------------------|-------|----------------|--|
| ITSOSENG PRIMARY SCHOOL  | P O BOX 172        | 5803  | R 80,625.17    | Current only                                       |
| KAGISANONG P/SCHOOL      | PO BOX 151         | 7384  | R 649.91       | Current only                                       |
| KGABO CLINIC             | 1480 PHASE 1       | 1480  | R 11,861.33    | Awaiting remittance                                |
| KGOPOTSE PRIM SCHOOL     | STAND 1654         | 1654  | R 936.91       | Current only                                       |
| KOPA DILALELO P/SCHOOL   | PO BOX 82          | 2735  | R 2,720.74     | Current only                                       |
| LEBOGANG PRIMARY SCHOOL  | PO BOX 79          | 5806  | R 10,390.28    | District office to bail out the school             |
| LEKGALONG PRIMARY SCHOOL | 1144 ZONE 1        | 1144  | R 3,329.33     | Current only                                       |
| LESEGO PRIMARY SCHOOL    | PO BOX 130         | 5801  | R 451.66       | Current only                                       |
| LESOLANG PRIM SCHOOL     | PO BOX 38          | 8833  | R 21,098.85    | District office to bail out the school             |
| LETSWALO M & KT          | 909 BLOCK U        | 909   | R 14,829.13    | District office to bail out the school             |
| LOWE MIDDLE SCHOOL       | ZONE 16            |       | R 4,157.84     | Current only                                       |
| LUCAS MOTSHABANOSI S     | PO BOX 192         | 1607  | R 1,752.86     | Current only                                       |
| M H BALOYI TECHNICAL     | PRIVATE BAG X603   | 1658  | R 42,355.01    | District office to bail out the school             |
| MABOPANE FIRE STATION    | ATT: ELAINE NELSON | 1001  | R 3,628.21     | Reconciliation sent. Awaiting feedback for payment |
| MABOPANE CIRCUIT         | 4445 A BLOCK B     | 4445  | R 135,360.54   | Disconnected                                       |
| MABOPANE HIGH SCHOOL     | PRIVATE BAG X503   |       | R 4,038.29     | Paid in full                                       |
| MACHINGA M K             | 6157 BLOCK S       | 6157  | R 257.42       | Current only                                       |
| MAFULO A MATALA          | 260 BLOCK C        | 260   | R 57.87        | Current only                                       |
| MAPENANE M SCHOOL        | 193 ZONE 16        | 193   | R 1,833.17     | Current only                                       |
| MAREKHUTSANE SCHOOL      | PO BOX 35          | 870   | R 276.45       | Merged disconnected                                |
| MARULA PRIM. SCHOOL      | PO BOX 129         | 2027  | R 8,268.41     | District office to bail out the school             |
| MATSEKE PRIMARY SCHOOL   | PO BOX 63          | 3217  | R 25,529.96    | District office to bail out the school             |
| MATSEPA PRI SCHOOL       | PO BOX 146         | 4027  | R 7,146.73     | District office to bail out the school             |
| MODISELLE PRIM SCHOOL    | PO BOX 131         | 1734  | R 1,138.75     | Current only                                       |
| MOEPATHUTSI ABET CEN     | 287 ZONE 1         | 287   | R 6,429.40     | District office to bail out the school             |
| MOLEMI PRE SCHOOL        | 1240 ZONE 16       | 1240  | R 30,025.56    | Disconnected/Merged/district to bail               |
| MORETELE CIRCUIT FUN     | 2837 BLOCK B       | 2837  | R 211.57       | Current only                                       |
| MOROPA PRM SCHOOL        | BOX 53             | 2014  | R 1,062.70     | Current only                                       |
| MORULA VIEW PRIMARY      | PO BOX 609         | 8338  | R 3,985.16     | Current only                                       |
| MPHO PRIMARY SCHOOL      | PO BOX 80          | 733   | R 903.30       | Current only                                       |
| NEO PRIMARY SCHOOL       | 4225 ZONE 3        | 4225  | R 6,424.84     | Current only                                       |
| NGAKA MASEKO H SCH.      | PRIVATE BAG X561   | 966   | R 894.88       | Current only                                       |
| NICK MPYE M SCH          | PRIVATE BAG X565   | 1060  | R 4,105.09     | Current only                                       |
| NONG PRIMARY SCHOOL      | PO BOX 152         | 1270  | R 637.62       | Current only                                       |
| ODI HIGH SCHOOL          | PO BOX 204         | 4221  | R 55,468.44    | District office to bail out the school             |
| ODI HOSPITAL             | 0000 BLOCK V       |       | R 250,167.14   | Paid in full                                       |
| ODI MILITARY BASE        | ZONE U             |       | R 36,279.36    | Current only                                       |
| ODI SPORTS STADIUM       | MANGOPE HIGHWAY    | BULK  | R 3,208,316.84 | Disconnected                                       |
| PELOTONA MID SCHOOL      | PRIVATE BAG X551   | 246   | R 7,213.24     | District office to bail out the school             |
| PHEDISONG 4 CLINIC       | DEPT OF HEALTH     | 5102  | R 865.30       | Current only                                       |
| PHEDISONG 6 CLINIC       | DEPT OF HEALTH     | 7389  | R 4,168.33     | Awaiting remittance                                |
| PHEDISONG HEALTH CEN     | DEPT OF HEALTH     | 5805  | R 13,404.99    | Awaiting remittance                                |
| POLICE STATION           | PRIVATE BAG X2085  | 8836  | R 23,385.96    | Current only                                       |
| PRISON ODI               | PRIVATE BAG X2085  |       | R 107,326.44   | Current only                                       |
| RADINEO PRIMARY SCHOOL   | PO BOX 346         | 1051  | R 1,873.02     | Current only                                       |
| RAKALE PRIMARY SCHOOL    | PO BOX 164         | 4222  | R 9,755.14     | District office to bail out the school             |

| NAME                     | ADDRESS              | STAND | AMOUNT       | COMMENTS  |
|--------------------------|----------------------|-------|--------------|---|
| RANTAILANE HIGH SCHOOL   | 5799 ZONE 4          | 5799  | R 3,148.27   | Current only                                      |
| RATSHETLO PRIMARY SCHOOL | PO BOX 136           | 2020  | R 2,910.48   | Current only                                      |
| REATLEGILE P SCHOOL      | STAND 3291 U-EXT     | 3291  | R 3,987.47   | Current only                                      |
| REFALOTSE PRIMARY SC     | PRIVATE BAG X532     | 1607  | R 310.82     | Current only                                      |
| REINOTSWE SPEC SCHOOL    | PO BOX 57            | 1480  | R 1,130.88   | Current only                                      |
| RETLILEPELE PRIMARY      | PO BOX 61            | 3218  | R 14,227.02  | District office to bail out the school            |
| RETSHOLENG PRIMARY       | 1401 ZONE 16         | 1401  | R 70,149.37  | District office to bail out the school            |
| ROADS & STORM WATER      | PO BOX 1409          | 5204B | R 40,127.62  | Special arrangement                               |
| S.MKHATSHWA MID SCHOOL   | PO BOX 704           | 2660  | R 3,081.22   | Current only                                      |
| SELELO P SCHOOL          | 417 BLOCK E          | 417   | R 6,254.08   | Current only                                      |
| SETLALENTOA HIGH SCHOOL  | PRIVATE BAG X1014    |       | R 245,411.79 | District office to bail out the school            |
| SETUMO KHIBA N SCHOOL    | PRIVATE BAG X560     | 3216  | R 5,008.02   | District office to bail out the school            |
| SIAMISANG P SCHOOL       | PO BOX 566           | 1658  | R 214.87     | Current only                                      |
| SOCIAL DEVELOPMENT       | BOSMAN/PRETORIUS STR | 144   | R 12,166.75  | Paid in full                                      |
| SOSHANGANE M SCHOOL      | PO BOX 42            | 2018  | R 1,208.83   | Current only                                      |
| SOUTH AFRICAN COMM.      | 248 ZONE 16          | 248   | R 7,692.67   | Disconnected                                      |
| SUN VALLEY PRIMARY       | P O BOX 17           | 7625  | R 2,882.61   | Current only                                      |
| TEBOGOANE MID SCHOOL     | PRIVATE BAG X 1012   | 1644  | R 6,389.55   | District office to bail out the school            |
| THABA P SCHOOL           | PO BOX 909           | 134   | R 8.26       | Current only                                      |
| THE OMBUDSMAN            | 2188 ZONE 8          | 2188  | R 102.87     | Current only                                      |
| THULAGANYO MID SCHOOL    | PO BOX 131           | 1654  | R 2,906.36   | Current only                                      |
| THUTOTHEBE MID SCHOOL    | PO BOX 98            | 2833  | R 22,393.02  | Pending query investigation in progress           |
| TIDIMALONG P SCHOOL      | ATT ME MAKGABUTLANE  | 1656  | R 3,347.40   | Current only                                      |
| TIM MODISE PRM SCHOOL    | PO BOX 151           | 7383  | R 902.44     | Current only                                      |
| TLAMELONG CLINIC         | DEPT OF HEALTH       | 2734  | R 1,959.06   | Current only                                      |
| TLOTLOMPHO PRIM SCHOOL   | PO BOX 3             | 650   | R 1,235.40   | Current only                                      |
| TOKYO SEGWALE MD SCHOOL  | PO BOX 63            | 1145  | R 107,678.23 | District office to bail out the school            |
| TRANSPORT OFFICES        | EFFORT KGAMEDI       | 5204A | R 56,764.33  | Paid  |
| TSHEPO MIDDLE SCHOOL     | PO BOX 66            | 4224  | R 325.76     | Current only                                      |
| TSHWANE METROPOLITAN     | 2162 BLOCK U         | 2162  | R 16,805.88  | To arrange a meeting. Contractor just moved out . |
| TSHWANE SOUTH COLLEGE    | PRIVATE BAG X1018    | 5218  | R 42,269.21  | Current only                                      |
| TSIBOGO MIDDLE SCHOOL    | PRIVATE BAG X510     | 748   | R 2,144.56   | Current only                                      |
| TSWAING HIGH SCHOOL      | PRIVATE BAG X302     | 1657  | R 9,646.41   | District office to bail out the school            |
| TSWELELANG MIDDLE        | 5800 ZONE 4          | 5800  | R 2,085.56   | Current only                                      |
| WINTERVELDT CLINIC       | DEPT OF HEALTH       | 626   | R 1,390.97   | Current only                                      |
| WINTERVELDT HIGH SCHOOL  | PRIVATE BAG X597     | 626   | R 6,717.43   | Current only                                      |

### 6.2.6 Performance against IDP

\* During an Audit Committee meeting in December 2010, the Audit Committee commented that SWA's KPAs were not in line with that of the parent municipality (City of Tshwane) and therefore it should review and adopt a new strategic plan with aligned KPAs. These findings were later re-affirmed by the Auditor-General. On 18 February 2011, the Board of Directors approved the new KPAs which were implemented in the second half of the financial year, ie January 2011 to June 2011.

#### Q1 AND Q2 Performance Assessment: 2010/2011 FINANCIAL YEAR

| KPA   | KPI  | Baseline<br>10/11 | Target 10/11 | Q1     | Q2     | Management<br>Comment   |
|---|--|-------------------|--------------|--------|--------|---|
| GENERAL   |  |                   |              |        |        |   |
| Operations  | Obtain licences (permits) from DWAF that differentiate required standards to reflect differences per works | 90%               | 100%         | 60%    | 60%    | Request submitted to DWA.<br>Awaiting response.                               |
|   | Reduce spillages at the pump stations and works per targets set  | 100%              | 100%         | 90%    | 92%    | Spillages caused through ageing pipeline                                      |
| Corporate   | Comply with MFMA – no repeat offences  | 100%              | 100%         | 100%   | 100%   | Target achieved   |
| CUSTOMER SERVICE  |  |                   |              |        |        |   |
| Total number of complaints, written or verbal by type (e.g. billing, quality, interruptions, other) | Improve number of complaints as %  | 6%                | 6%           | 1,04%  | 1,04%  | Complaints reduced due to the turnaround time in attending to metered queries |
| Increase the number of paying customers   | 5% above previous annual average   | 15 100            | 15 750       | 15 257 | 15 255 | Increase in the number of indigents   |
| COMMERCIAL PERFORMANCE  |  |                   |              |        |        |   |
| Collection ratio (amount collected as % of that billed)   | % improvement and trend. Based upon the portion of the billing managed by SWA                              | 65,0%             | 67,5%        | 57,3%  | 57,7%  | Decrease in collections due to the economic knockdown                         |
| Increase expending on critical costs  | Target 97%   | 88%               | 97%          | 105,7% | 109,7% | Approval of the adjustment budget assisted in increasing the critical cost    |
| Commercial and legal performance  | Number of illegal connections legalised  | 215               | 230          | 184    | 164    | Target achieved   |

| KPA   | KPI   | Baseline<br>10/11 | Target 10/11 | Q1       | Q2       | Management<br>Comment                               |
|---|---|-------------------|--------------|----------|----------|---|
| WATER SERVICE<br>EFFECTIVENESS/EFFICIENCY/SERVICE<br>RESPONSE |   |                   |              |          |          |   |
| CAPEX   |   |                   |              |          |          |   |
| Implementation of capital investment programme                | Measure achieving milestones in terms of time delay and %             | 80%               |              |          |          | Not measurable                                      |
| HUMAN RESOURCES   |   |                   |              |          |          |   |
| Staff turnover  | Retention ratio   | 4,8%              | 3%           | 4%       | 4,2%     | Target achieved                                     |
| Staff procurement period                                      | Recruitment process period  | 4 months          | 4 months     | 3 months | 2 months | Target achieved.<br>Vacant posts have been filled   |
| Period of dealing with industrial relations                   | Dispute resolve time  | 1 months          | 1 month      | 3 months | 0        | Target not achieved due to illegal strike           |
| Staff training  | Budget vs. actual as per matrix                                       | 100%              | 100%         | 98%      | 95%      | Target not achieved due to budget constraints       |
| Employment equity   | Implementation of employment equity plan.                             | 90%               | 100%         | 96%      | 90%      | Positions filled were labour intensive              |
| Health and safety reportable incidents                        | Reduce number of incidents reported                                   |                   |              | 3        | 1        | No baseline established                             |
| CRITICAL SUCCESS FACTORS                                      |   |                   |              |          |          |   |
| Water quality   | Compliance with SANS 241  | 100%              | 100%         | 100%     | 100%     | Target achieved.<br>Results reflect + 1             |
| Effluent quality  | Proportion of wastewater samples which pass DWAF wastewater standards | 90%               | 90%          | 70%      | 80%      | Variance due to upgrading in Temba                  |
| Assurance of supply   | 24 hours supply   | 98%               | 98%          | 88%      | 91%      | Variance caused through ageing pipes                |
| Network pressure  | 4 to 6 bars as a percentage of 24 hours                               | 90%               | 90%          | 92%      | 94%      | Target achieved due to the new installation of PVRs |

| KPA  | KPI  | Baseline<br>10/11 | Target 10/11 | Q1     | Q2    | Management<br>Comment   |
|--|--|-------------------|--------------|--------|-------|-------------------------|
| Unaccounted-for water                              | Billing measured against water bought in bulk<br>(Water volumes bought vs water volume sold) | 29%               | 28%          | 27.78% | 25,16 | Target exceeded         |
| General  |  |                   |              |        |       |                         |
| To manage and monitor customer satisfaction levels | % increase in CSI  |                   |              |        |       | No baseline established |

### Annual Performance Assessment - FY 2010/11

\*The AG was requested to assist in providing clarity and guidance in respect of when should the entity report performance from. The clarification provided by the AG reads as follows: -

"TAKING THE LEGISLATIVE REQUIREMENTS INTO ACCOUNT THE ENTITY SHOULD NOW REPORT ON QUARTER 3 AND QUARTER 4 BASED ON THE NEW STRATEGIC PLAN WHICH WAS APPROVED ON 18 FEBRUARY 2011".

| KPA   | Departmental Key Performance Indicator  | Department     | Target as per Business Plan          | Q3 Results              | Q4 Results              | Annual Ratings          | Management Comments  |
|---|---|----------------|--------------------------------------|-------------------------|-------------------------|-------------------------|--|
| 1.1 Ensure optimal resource utilisation.  | 1.1.1 Reduce unaccounted-for water from 27% to 25% by 2010/2011 financial year (1% reduction in year 2 onwards) | Operations     | 25%                                  | 23,10%                  | 15,13%                  | 19,1%                   | Target exceeded. The annual average for unaccounted-for water is 23,10%          |
| 1.2.1. Optimise labour intensity and community involvement.   | 1.2.1 Use a minimum of 10 SMME contractors in SWA p/a   | Operations     | 10                                   | 0                       | 3                       | 3                       | Review the SCM processes in respect of the submission on the profile of evidence |
| 1.2.2. Optimise labour intensity and community involvement  | 1.2.2 By 2011 all labour-intensive initiatives of SWA should have 90% local labour                              | Operations     | 90%                                  | 0%                      | 0%                      | 0%                      | Profile of evidence submitted contrary to KPI. To be corrected.                  |
| 2.1 Align the skills and human resource development strategies to the current and future needs of SWA | 2.1.1 Achieve 90% alignment between availability of skills and job competencies                                 | Human Resource | Identify baseline and annual targets | No baseline established | No baseline established | No baseline established | Baseline and annual targets will be established in the 2011/2012 financial year  |
| 2.2. Execution of W&S projects.   | 2.2. Capital budget spent to achieve planned and approved objectives.   | Operations     | 0                                    | N/A                     | N/A                     | N/A                     | No capital funding had been allocated by City of Tshwane for the financial year  |

| KPA  | Departmental Key Performance Indicator   | Department      | Target as per Business Plan         | Q3 Results | Q4 Results                            | Annual Ratings                        | Management Comments  |
|--|--|-----------------|-------------------------------------|------------|---------------------------------------|---------------------------------------|--|
| 3.1 Promote a clean, healthy and sustainable environment and reduce the burden of preventable diseases on our people and our economy including chronic illnesses, TB, HIV and AIDS.                | 3.1.1.Deliver at least two HIV campaigns per annum   | Human Resources | 1                                   | 1          | 1                                     | 1                                     | Target exceeded. Management commits to maintain and promote awareness on preventable diseases.                   |
| 3.2 Ensure that SWA has a disaster prevention and management plan as well as optimal capacity to respond to emergencies.   | 3.2.1 Ensure that 95% of risks on disaster management information are attended to annually   | Risk            | Establish baseline                  | 0          | 0                                     | 0                                     | Current disaster prevention and management plan will be reviewed to identify and incorporate other risk factors. |
| 4.3.1. Entrench a customer-focused approach to citizenry and business by setting standards that we achieve guided by the Batho Pele principles.  | 4.3.1 Implementation of norms, standards, guidelines and operating procedures in line with Batho Pele principles for all areas of services delivery by 2011/12 | Marketing       | Establish norms for responsiveness  | None       | None                                  | None                                  | SWA endeavours to maintain customer satisfaction and strives to provide excellent service                        |
| 4.4 Establish effective stakeholder forums that are inclusive and foster a non-racial, non-sexist, democratic, caring and prosperous society, focused on achieving the city's socio-economic goals | 4.4.1 Establish all essential forums Identify need within one financial year   | Marketing       | Establish norms for responsiveness. | N/A        | Established norms for responsiveness. | Established norms for responsiveness. | Target achieved.   |
| 5.1.1 Good governance  | 5.1.1 The SWA complies with all relevant legislation, and where it cannot comply obtains permission from the relevant authority.                               | Legal           | 100%                                | 100%       | 100%                                  | 100%                                  | Target Achieved. SWA commits to comply and maintain to receive an unqualified and clean audit.                   |
| 5.1 Good governance  | 5.1.1 The SWA complies with all relevant legislation, and where it cannot comply obtains permission from the relevant authority.                               | SCM             | 100%                                | 0          | 75%                                   | 75%                                   | SWA to continuously improve on the SCM processes.  |

| KPA                                | Departmental Key Performance Indicator   | Department | Target as per Business Plan | Q3 Results | Q4 Results | Annual Ratings | Management Comments  |
|------------------------------------|--|------------|-----------------------------|------------|------------|----------------|--|
| 5.1 Good governance                | 5.1.2 SWA achieves unqualified audits  | SCM        | 100%                        | 0          | 75%        | 75%            | SCM in collaboration with City of Tshwane will endeavour to obtain a clean audit.  |
| 5.2 Sustainable management:        | 5.2.1 Reduce municipal entities debt over 90 days from 90% to 70% by 2015  | Finance    | 85%                         | 83%        | 81%        | 79%            | SWA operating within budget framework  |
| 5.2 Sustainable management:        | 5.2.2 All bills sent have correct information relating to the customer amounts owing   | Finance    | 100%                        | 0          | 98%        | 98%            | Variance due to customers claiming that the invoices were not received. SWA to monitor the process.  |
| 5.2 Sustainable management:        | 5.2.3 All revenue generated targets are realised by departments that generate revenue  | Finance    | 90%                         | 67,4%      | 64,0%      | 65,85%         | Revenue Enhancement Committee has been established to improve revenue collection   |
| 5.2.4 Sustainability management    | 5.2.4 Revenue collection via the courts/legal process should increase by 5% pa   | Legal      | 5%                          | 5%         | 5%         | 5%             | Target exceeded. SWA will exhaust all legal actions to further increase debt collections   |
| 5.2 Sustainable management:        | 5.2.5 Increase meter reading by 2% per annum   | Finance    | 80%                         | 95,6%      | 95,0%      | 96%            | Target exceeded.   |
| 5.3. Prudent financial management. | 5.3.1 Spent the budget in line with the set objectives.  | Operations | 100%                        | 100%       | 100%       | 100%           | Target achieved. The budget was complimented by the approval of the adjustment budget  |
| 5.3 Prudent financial management   | 5.3.3 Ensure that 99% of all creditors are paid within 30 days 2010 - % of creditors paid within 30days in relation to total creditors | Finance    | 98%                         | 92,0%      | 91,06%     | 92%            | Target achieved. SWA commits to pay creditors within the stipulated timeframe unless permission is obtained from the City of Tshwane for delay in payment. |
| 5.4 Perform risk management        | 5.4.1 Decrease the legal claims against the entity by 0,5% per annum   | Legal      | 0,%                         | 0          | 0          | 0              | Target achieved. SWA endeavours to mitigate third party claims.  |

| KPA  | Departmental Key Performance Indicator   | Department      | Target as per Business Plan     | Q3 Results                  | Q4 Results  | Annual Ratings                                      | Management Comments   |
|--|--|-----------------|---------------------------------|-----------------------------|---|---|---|
| 5.1 Perform risk management  | 5.4.2 Reduce labour claims by 10% per annum  | Legal           | 10%                             | 0                           | 0   | 0   | Target achieved. SWA will retain labour claims at 0.  |
| 5.4 Perform risk management  | 5.4.3 Reduce controllable insurance claims by 2% per annum   | Risk            | 2%                              | N/A                         | N/A   | N/A   | Controllable and non-controllable insurance claims are distinguished  |
| 5.4 Perform risk management  | 5.4.4 Implement risk management practices such that by end of 2011/2012 SWA practices reflect international norms, standards and best practice | Risk            | 0                               | N/A                         | N/A   | N/A   | The KPI is applicable for the 2011/2012 financial year  |
| 5.5 Sound human resource management  | 5.5.1.100% update of HR policies   | Human Resources | Establish baseline              | No baseline was established | No baseline was established                         | No baseline was established                         | SWA policies to be aligned with the City of Tshwane   |
| 5.5 Sound human resource management  | 5.5.2.20% decrease in grievances by 2011   | Human Resources | 20%                             | N/A                         | N/A   | N/A   | Benchmark will be defined in the new financial year   |
| 5.7 Establishment of sound supply chain management systems                           | 5.7.1 Established database by end of 2011  | SCM             | Establish baseline              | Established database        | Established Database                                | Baseline established                                | Target achieved. Database to be being reviewed and updated.   |
| 5.8 Customer relations management/Batho Pele principles                              | 5.8.1 60% of employees trained on CRM by 2011  | Marketing       | 60% of employees trained on CRM | N/A                         | There was no training conducted during 2010/2011    | There was no training conducted during 2010/2011    | Target could not be achieved due to the postponement of processes. Targets will be met in the new financial year. |
| 5.8.2.Customer relations management/Batho Pele principles                            | Reduce customer complaints relating to SWA responsiveness by 5% per annum.   | Marketing       | Establish baseline              | 0                           | No baseline established                             | No baseline established                             | Current system is in the process of being upgraded  |
| 5.10 Review current performance management system and re-align to new priorities.    | 5.10.1 Review current performance management system in the next financial year   | Human Resources | 4                               | N/A                         | Current performance management system was reviewed. | Current performance management system was reviewed. | Target achieved. Performance management has been reviewed and a scorecard has been set.                           |
| 5.10.2. Review current performance management system and re-align to new priorities. | 5.10.2 Cascade the performance management system to all levels of the organisation in the next financial year.                                 | Human Resources | 4                               | N/A                         | N/A   | N/A   | To be cascaded to lower levels of the organisation in the 2011/2012 financial year                                |
| 5.11 Skills audit: recruitment, retention and succession planning                    | 5.11.1.An average of wo learners per dept complete learnership programmes with   | Human Resources | 2                               | 0                           | 2   | 2   | Target achieved.  |

| KPA                                  | Departmental Key Performance Indicator                                 | Department      | Target as per Business Plan | Q3 Results | Q4 Results | Annual Ratings | Management Comments   |
|--------------------------------------|--|-----------------|-----------------------------|------------|------------|----------------|---|
|                                      | the relevant SETAs by 2011   |                 |                             |            |            |                |   |
| 5.13 Human resource development plan | 5.13.1.Improve organisational skills capacity by at least 3% per annum | Human Resources | 3%                          | 0          | 0          | 0              | The structure is currently sufficient to meet the required output |

## 6.2.7 Directors' report and governance

### 1 Board of Directors

Sandspruit Works Association (SWA) has a unitary board, which consists of one executive and three non-executive directors. The Board is chaired by the non-executive director, Thabo Makgatho (acting chairperson). The Board meets regularly, at least quarterly, and retains full control of Sandspruit. The Board remains accountable to the City of Tshwane Metropolitan Municipality, the sole member and its stakeholder. A service delivery agreement (SDA) concluded in accordance with the provisions of the Municipal Systems Act (MSA) governs the entity's relationship with the City of Tshwane. The Board provides monthly, quarterly, biannual and annual reports on its performance and service delivery to the City of Tshwane as specified in the SDA, the Municipal Finance Management Act (MFMA) and the MSA.

Non-executive directors give an independent view on matters under consideration and add to the depth of experience of the Board. The roles of chairperson and managing director are separate, with responsibilities divided between them. The chairperson has no executive functions. Members have unlimited access to the Sandspruit secretary, who acts as an advisor to the Board and its committees on matters including compliance with Sandspruit rules and procedures, statutory regulations and best corporate practices.

The Board or any of its members may, in appropriate circumstances and at the expense of Sandspruit, obtain the advice of independent professionals. An annual director and peer review is undertaken, as well as a board evaluation.

| Board and board committees | Number of meetings |
|----------------------------|--------------------|
| Board meetings             | 4                  |
| Special board meetings     | 3                  |

The required quorum was present at all meetings. No special resolutions were recorded during the 2010/11 financial year.

The activities of the Board is governed by a Board Charter.

### 2 Board committees

The following committees have been formed, each of which is chaired by a non-executive director.

- Remuneration Committee
- Risk Management Committee
- Audit Committee

### **Remuneration Committee**

The Remuneration Committee advises the Board on remuneration policies, remuneration packages and terms of employment for all directors and senior executives. Its specific terms of reference also include recommendations to the Board on matters relating, among others, to general staff policy remuneration, profit bonuses, executive remuneration, director's remuneration and fees, service contracts, share purchase and option schemes, and retirement funds. The independent professional advisors advise the Committee. The Committee has to meet three times during the year.

### **Risk Management Committee**

The shareholder, namely the City of Tshwane, resolved that it will host the Risk Management Committee and therefore Sandspruit will not have a Risk Management Committee.

### **Performance and Audit Committee**

The Sandspruit Audit Committee was incorporated in the City of Tshwane's Audit Committee to form a Group Performance and Audit Committee. The Audit Committee consists of non-executive and independent members.

The role of the Group Performance and Audit Committee is to assist the Board through an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. The Committee exercises its functions through close liaison and communication with corporate management and the internal and external auditors. The Committee met four times during the year under review.

The Group Performance and Audit Committee operates in accordance with a written charter authorised by Council and taken into consideration by the Board. The Committee also provides assistance to the Board with regard to:

- Compliance with applicable legislation and the requirements of regulatory authorities;
- Matters relating to financial accounting, accounting policies, reporting and disclosures;
- Appointment of the Head of Internal and External Auditors;
- Approval of the Internal Audit Charter;
- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- Review/approval of internal and external audit plans, findings, problems, reports and fees;
- Compliance with the Code of Corporate Practices and Conduct; and
- Compliance with the Code of Ethics.

The Audit Committee addressed its responsibilities properly in terms of the Charter and few changes to it were adopted during the year under review. Management, the Audit Committee and the external auditors reviewed the financial statements independently. The quality of the accounting policies was discussed with the external auditors.

The Audit Committee considers the annual financial statements of the entity to be a fair representation of its financial position on 31 August 2011 and of the results of its operations, changes in equity and cash flow for the period ended then, in accordance with GRAP and the Companies Act.

### 3 Directors' remuneration

|   | Salary or fee<br>R | Medical and<br>retirement fund<br>R | Expense<br>allowance<br>R | Total package<br>2011<br>R | Total package<br>2010<br>R |
|---|--------------------|-------------------------------------|---------------------------|----------------------------|----------------------------|
| <b>Non-executive members</b>              |                    |                                     |                           |                            |                            |
| KH Sekhokho                               | 40 908             |                                     |                           | 40 908                     | 35 064                     |
| M Dooms                                   | 46 752             |                                     |                           | 46 752                     | 29 220                     |
| ME Makgato*                               | 46 752             |                                     |                           | 46 752                     | 29 220                     |
| NM Malefot#                               | -                  |                                     |                           | -                          | 35 500                     |
| <b>Subtotal</b>                           | <b>134 412</b>     |                                     |                           | <b>134 412</b>             | <b>129 004</b>             |
| <b>Executive member</b>                   |                    |                                     |                           |                            |                            |
| Managing Director                         | 988 762            |                                     | 96 000<br>Disbursement    | 1 084 762                  | 938 803                    |
| <b>Executive managers</b>                 |                    |                                     |                           |                            |                            |
| Chief Financial Officer                   | 601 387            | 119 675                             | 6 516                     | 727 578                    | 617 633                    |
| Human Resources<br>Manager                | 586 878            | 116 425                             | 3 433                     | 706 736                    | 683 954                    |
| Operations Manager                        | 666 646            | 130 184                             | 3 308                     | 800 138                    | 670 988                    |
| Marketing and<br>Communication<br>Manager | 557 376            | 82 132                              | 12 782                    | 652 290                    | 581 864                    |
| <b>Subtotal</b>                           | <b>2 412 287</b>   | <b>448 416</b>                      | <b>26 039</b>             | <b>2 886 742</b>           | <b>2 554 439</b>           |
| <b>Grand total</b>                        | <b>3 535 461</b>   | <b>448 416</b>                      | <b>122 039</b>            | <b>4 105 916</b>           | <b>3 622 246</b>           |

\* Chairperson of the Board

# Resigned during the previous financial year

### 4 Sandspruit secretarial function

The primary function of the Sandspruit secretary is to act as the link between the Board and management and to facilitate good relationships with the shareholders. The Sandspruit secretary is responsible for general administration, more specifically to ensure compliance with good corporate governance practices and to provide guidance to the directors on corporate governance principles and applicable legislation.

At a Board meeting held on 9 June 2010, a decision was taken that Ms S Gramoney, the legal manager at SWA, be appointed as acting Company Secretary to assist until the new Board of Directors has been appointed, at which time a new company secretary would also be appointed.

#### Annual returns

The Companies and Intellectual Property Commission (CIPC) was experiencing technical problems with online applications. However, all the returns were submitted.

## **5 Risk management and internal controls**

Effective risk management is integral to Sandspruit's objective of consistently adding value to the business. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks.

Operating risk is the potential to suffer a loss through a breakdown in control information, business processes and compliance systems. Key policies and procedures in place to manage operating risk involve segregation of duties, transaction authorisation, supervision, monitoring and financial and managerial reporting.

The Board is responsible for the internal financial and operational control systems of the company. These have been designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements and operational management information. The controls also ensure that assets are adequately safeguarded against material loss and that transactions are properly authorised and recorded. The system of internal controls includes a documented organisation structure and visions of responsibility, established policies and procedures, including a code of ethics to foster a strong ethical stance, all of which are communicated to the City of Tshwane. It also includes the careful selection, training and development of people.

Internal controls also provide assurance that Sandspruit's resources are utilised efficiently and that the activities of the group are in compliance with applicable laws and regulations, as per section 132 of the MFMA and King III report.

Internal auditors monitor the operation of the internal control systems and report findings and recommendations to management and the Board of Directors. Corrective actions are taken to address control deficiencies and improve the system. The Board, operating through its Audit Committee, supervises the financial reporting process and internal control systems. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls.

Accordingly, even an effective internal control system can provide only reasonable assurance with respect to the financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of internal control systems can change with circumstances. A document and a tested business continuity plan exist to ensure the continuity of business-critical activities. The entity assessed its internal control systems as at 30 June 2011 in relation to the criteria for effective internal control over financial reporting described in its Internal Control Manual. The internal control process has been in place up to the date of approval of the annual report and financial statements. Based on its assessment, the group believed that, as at 30 June 2011, its system of internal control over financial reporting and over safeguarding of assets against unauthorised acquisitions, use or disposition, met those criteria.

## **6 Internal audit function**

Sandspruit does not have an internal audit department, as this function is performed by the Internal Audit Division of the City of Tshwane.

The Internal Audit Division has a specific mandate from the Audit Committee and independently appraises the adequacy and effectiveness of Sandspruit's systems, internal controls and accounting records, reporting its findings to local and divisional management, the Auditor-General of South Africa and the Audit Committee. The Chief Audit Executive reports to the Audit Committee and functionally to the City Manager and has direct access to the Chairman of the Audit Committee and that of the Board of Directors.

The Chief Audit Executive prepares a risk-based plan for approval by the Audit Committee. The Audit Committee assesses the adequacy of the plan before submission for approval. This ensures that the focus is on audit coverage and areas of high risk are identified.

The Internal Audit Division of the City of Tshwane has 18 staff members. It has a specific mandate from the Audit Committee and appraises the adequacy and effectiveness of the group's systems as well as internal controls and accounting records independently. It reports its findings to local and divisional management, the external auditors and the Audit Committee. Internal Audit also provides a consulting service on risks, controls and governance developments.

The head of Internal Audit reports to the Audit Committee, meets with board members, has direct access to senior executive management and is invited to attend various management meetings.

During 2011, Internal Audit increased its focus on reviewing significant non-financial risk areas as well as sustainability and legal compliance activities. This coincided with activities to advise the business on the development of a combined assurance model and other recommendations made in the King III report on corporate governance. The forensic activity was streamlined to increase effectiveness.

## **7 Response to the Auditor-General's report**

Sandspruit developed a turnaround strategy and follows up on all issues raised by the Auditor-General. The issue raised by Auditor General was mainly on controls which are related to an end-to-end process of redefining the process. Issues relating to all legislation are categorised and the process of updating the systems to have controls in place has been resolved by configuring the system.

## **8 Corporate ethics and organisational integrity**

Sandspruit has developed a Code of Conduct that has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated to ensure it reflects the highest standards of behaviour and professionalism.

The Code requires that Sandspruit staff act with the utmost integrity and objectivity and in compliance with the letter and spirit of the law and Sandspruit policies. Failure by employees to act in terms of the Code results in disciplinary action. The Code is discussed with each new employee as part of his or her induction and all employees are asked to sign an annual declaration that confirms their compliance with the Code. A copy of the Code is available to interested parties upon request. Non-adherence to the Code or corporate ethics can be reported to a toll-free anonymous telephone facility. Furthermore, any breach of the Code is considered a serious offence and is dealt with accordingly. The directors believe that ethical standards are being met and fully supported by the ethics programme.

## 6.2.8 Human resources and organisational management

### 1 Human resource management

#### Staff information

| Key function (as per organisational structure, eg planning, connections) | 2009/10         |                        | 2010/11         |                        |
|--|-----------------|------------------------|-----------------|------------------------|
|  | Number of posts | Number of posts filled | Number of posts | Number of posts filled |
| Management   | 19              | 12                     | 20              | 17                     |
| Administration   | 220             | 142                    | 142             | 106                    |
| Field staff  | 86              | 70                     | 146             | 134                    |
| Total  | 325             | 224                    | 308             | 257                    |

The entity has aligned its human resource practices and policies to those of the City of Tshwane.

### 2 Employment equity

| Occupational categories   | MALE |   |   | FEMALE |   |   |   | White male | Foreign nationals |        | Total |
|---|------|---|---|--------|---|---|---|------------|-------------------|--------|-------|
|   | A    | C | I | A      | I | C | W |            | Male              | female |       |
| Top management  | 4    |   |   |        |   |   |   | 2          |                   |        | 6     |
| Senior management   | 4    |   |   | 1      | 1 |   |   |            |                   |        | 6     |
| Professionally qualified and experienced specialists and mid-management   | 3    |   |   | 2      |   |   |   |            |                   |        | 5     |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents | 3    |   | 1 | 9      |   |   |   | 1          |                   |        | 14    |
| Semi-skilled and discretionary decision making  | 84   | 1 | 1 | 63     |   |   |   |            | 1                 |        | 150   |
| Unskilled and defined decision making   | 68   |   |   | 8      |   |   |   |            |                   |        | 76    |
| Total permanent   | 166  | 1 | 1 | 83     |   | 1 | 1 |            | 4                 |        | 257   |
| Non-permanent employees   |      |   |   |        |   |   |   |            |                   |        |       |
| Grand total   | 166  | 1 | 1 | 83     |   | 1 | 1 |            | 4                 |        | 257   |

### 3 Skills development

Expenditure on training for various skills priorities during 2010/11 – R222 361,00

#### Skills levy

A total of R471 699,36 was paid in skills levies in the 2010/11 year, and R83 380,15 was claimed back in the same period.

#### Learning intervention statistics

| Occupational category                      | Total |
|--|-------|
| Clerks                                     | 7     |
| Craft and related trades workers           | None  |
| Elementary occupations                     | 4     |
| Legislators, senior officials and managers | 10    |
| Plant and machine operators and assemblers | 3     |
| Professionals                              | 10    |
| Service and sales workers                  | None  |
| Skilled agricultural and fishery workers   | None  |
| Technicians and associated professionals   | 3     |
| Bursaries                                  | 10    |

#### Learnerships and apprenticeships for 2010/11

| Name of learnership or apprenticeship | Number of students during intake of learnership or apprenticeship | Learnership or apprenticeship budget | Provider   | Start date    | Proposed ending date |
|---------------------------------------|---|--------------------------------------|------------|---------------|----------------------|
| Waste Water Treatment – NQF 2         | 12  |                                      | Pro Meetsi | February 2010 | March 2011           |
| Water Reticulation – NQF 2            | 4   | R800 000                             | Pro Meetsi | February 2010 | March 2011           |

#### Occupational health and safety

Number of injuries on duty: 4

#### Pension funds/provident fund

Alexander Forbes Provident Fund: 254 members

#### Medical aid funds

Discovery Health: 25 members

Sizwe Medical: 219 members

#### Expenditure on salaries over the last three years

|                             | 2010/11       | 2009/10     | 2008/9      |
|-----------------------------|---------------|-------------|-------------|
|                             | R '000        | R '000      | R '000      |
| Total operating expenditure | 138 966 326 ^ | 138 689 430 | 134 235 625 |
| Total payroll expenditure   | 60 501 696 ^  | 44 570 329  | 45 773 814  |

#### 4 Performance management

Performance management was implemented for all management levels on the organisational structure. New KPIs were approved after discussions with the City of Tshwane. The balanced scorecard was used for measurement. The performance indicators were aligned to the City of Tshwane's strategic objectives and its IDP scorecard. The performance indicators were cascaded from the office of the City Manager to the CEO of SWA. Additional objectives were included to reinforce the culture of governance and risk management among senior managers of SWA. Underperforming officials were provided with training to improve their performance. As the focus was on coaching and mentoring instead of punitive measures, employees felt comfortable to be part of the process.

SWA remains committed to sound corporate citizenship and has maintained its focus on ensuring that corporate governance policies and procedures are in line with best practices. This and the corrective measures relating to the Auditor-General's previous comments have contributed to the unqualified opinion the SWA received for four consecutive years. Matters raised by the Auditor-General in the 2010/11 financial year are being addressed to ensure that the predetermined objectives are achieved in the 2011/12 financial year.

## 6.2.9 Report of the Auditor-General to the Gauteng Provincial Legislature and the Council of the City of Tshwane Metropolitan Municipality on the Sandspruit Works Association non-profit company

### REPORT ON THE FINANCIAL STATEMENTS

#### Introduction

32. I have audited the accompanying financial statements of Sandspruit Works Association Non Profit Company, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and the accounting officer's report, as set out on pages ... to ....

#### Accounting officer's responsibility for the financial statements

33. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor-General's responsibility

34. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

35. I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

36. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

37. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Opinion

38. In my opinion, the financial statements present fairly, in all material respects, the financial position of Sandspruit Works Association Non Profit Company as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with SA

Standards of GRAP and the requirements of the MFMA and the Companies Act.

### **Emphasis of matter**

39. I draw attention to the matter below. My opinion is not modified in respect of this matter:

### **Fruitless and wasteful expenditure**

40. As disclosed in note 28 to the financial statements, the municipal entity incurred fruitless and wasteful expenditure of R232 822 as a result of interest arising from late payment of supplier invoices.

### **Additional matter**

41. I draw attention to the matter below. My opinion is not modified in respect of this matter:

### **Unaudited supplementary schedules**

42. The supplementary information set out on pages ...to... does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

43. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages ... to ... and material non-compliance with laws and regulations applicable to the municipal entity.

### **Predetermined objectives**

#### **Usefulness of information**

44. The reported performance information was deficient in respect of the following criteria:

- Measurability: The indicators are not well defined and verifiable and the targets are not specific, measurable and time bound.

45. The following audit finding relates to the above criteria :

- For the selected objectives, 68% of the planned and reported targets were not measurable in identifying the required performance.
- For the selected objectives, 74% of the planned and reported targets were not time-bound in specifying the time period or deadline for delivery.

#### **Reliability of information**

46. The reported performance information was deficient in respect of the following criteria:

- Validity: The reported performance did not occur and does not pertain to the entity.
- Accuracy: The amounts, numbers and other data relating to reported actual performance have not been recorded and reported appropriately.
- Completeness: All actual results and events that should have been recorded have not been included in the reported performance information.

47. The following audit findings relate to the above criteria:

- For the selected objectives, 57% of the actual targets reported were not valid when compared to source information.

- For the selected objectives, 29% of the actual targets reported were not accurate when compared to source information

### **Compliance with laws and regulations**

#### **Annual financial statements, performance and annual report**

48. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

#### **Internal audit**

49. The internal audit did not function as required by section 165 of the MFMA, in that:

- Internal audit did not prepare a risk-based audit plan and an internal audit programme for the financial year under review;
- Internal audit did not report to the audit committee on the implementation of the internal audit plan;
- Internal audit did not advise the accounting officer and report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.

50. Internal audit did not advise the accounting officer and report to the audit committee on matters relating to compliance with the MFMA and other applicable legislation as required by section 165(2)(b) of the MFMA.

#### **Expenditure management**

51. The accounting officer did not take reasonable steps to prevent fruitless and wasteful expenditure, as required by section 95(d) of the MFMA.

### **INTERNAL CONTROL**

52. In accordance with the PAA and in terms of General notice *1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

#### **Leadership**

53. Oversight responsibility regarding performance reporting, compliance and related internal controls was not adequately exercised. Policies and procedures on performance reporting were not established and implemented to enable and support understanding and execution of internal control objectives, processes and responsibilities.

#### **Financial and performance management**

54. Proper record keeping was not implemented in a timely manner to ensure that complete, relevant and accurate information was available to support performance reporting. Controls over daily and monthly processing and reconciling of transactions were not adequately implemented. Regular, accurate and complete performance reports that are supported by and evidenced by reliable information were not prepared. There was a lack of review and monitoring of compliance with applicable laws and regulations.

**Governance**

55. Appropriate risk management activities were not implemented to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, were conducted and a risk strategy was not developed and monitored. An adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively was not in place.

Pretoria

XX November 2011

| Page | Finding                      | Person responsible | Action/progress | Time frame |
|------|------------------------------|--------------------|-----------------|------------|
|      | <u>MUNICIPAL SYSTEMS ACT</u> |                    |                 |            |

| Page | Finding  | Person responsible                | Action/progress  | Time frame       |
|------|--|-----------------------------------|--|------------------|
|      | <u>EMPHASIS OF MATTER</u>  |                                   |  |                  |
| 20   | Irregular and fruitless and wasteful expenditure   | Finance – P Avenant               | Meeting with parent municipality (City of Tshwane) to resolve this issue   | 30 March 2012    |
|      | <u>PREDETERMINED OBJECTIVES</u>  |                                   |  |                  |
| 22   | Planned and reported targets are not specific, measurable and time bound                 | Managing Director                 | The matter has been resolved.  | Completed        |
| 25   | Reported performance against indicators is not valid when compared to source information | Managing Director                 | Quarterly controls will be implemented to ensure that the reported performance targets are reviewed and signed off to ensure accuracy of source documentation. | Ongoing          |
| 28   | Reported performance information does not agree to supporting source information         | Managing Director                 | The KPA has been redirected to the one department to ensure that reported performance targets are accurate and to gather the evidence accordingly.             | Ongoing          |
|      | <u>MUNICIPAL FINANCE MANAGEMENT ACT</u>  |                                   |  |                  |
| 30   | Material misstatements in the annual financial statements                                | Finance – P Avenant               | Monthly review of accounts and accounting systems upgrade  | 28 February 2012 |
| 31   | Non-compliance with section 165 (2) (a)-(b) – Internal Audit Unit                        | Chief Audit Executive<br>S Nakedi | Matter to be communicated to Internal Audit  | January 2012     |
| 33   | Non-compliance with section 93 H (1)(b) of the Municipal Systems Act                     | Finance – P Avenant               | Implement internal control measures to ensure compliance   | Ongoing          |
|      | <u>MUNICIPAL FINANCE MANAGEMENT ACT</u>  |                                   |  |                  |
| 34   | Non-compliance with section 95(c) (i) of the MFMA – ineffective internal controls        | Finance – P Avenant               | Implement internal control measures to ensure compliance   | Ongoing          |

| <b>PREDETERMINED OBJECTIVES</b>    |  |                             |   |
|------------------------------------|--|-----------------------------|---|
| 35                                 | Multi-year business plan and five-year strategic objectives/priorities not developed | Managing Director           | This matter has been resolved and will be reported in 2011/12.  |
| 36                                 | Reported indicators are not complete when compared with the planned indicators       | Managing Director           | The matter has been resolved.   |
| 37                                 | Lack of performance management systems, processes, procedures and controls           | Managing Director           | Polices are being updated and documented.   |
| <b>SUPPLY CHAIN MANAGEMENT</b>     |  |                             |   |
| 38                                 | Non-compliance with the SCM regulations  | SCM Manager – S Nzolo       | Implemented   |
| 40                                 | Accounting services not substantiated by a contract                                  | WWTW – K Snyman             | Recommendation by the AG to be implemented  |
| 41                                 | Procurement of services/goods from prohibited suppliers                              | SCM Manager – S Nzolo       | Implemented manually (Annexure A form completed by service providers). SCM cannot verify whether the given information on the form is true or not.<br>Request the AG to provide SCM with more information on the verification of the information given by the supplier. |
| 42                                 | SCM policy not in line with the MFMA section 112 and the SCM regulations             | Finance - P Avenant         | Implementation of SCM policy that is in line with the MFMA  |
| 45                                 | Non-compliance with section 99(2)(b) of the MFMA – expenditure management            | Admin – P Kungwane          | Implement document flow from all the departments for timely processing  |
| <b>HUMAN RESOURCES AND PAYROLL</b> |  |                             |   |
| 46                                 | Overtime calculated on incorrect rates   | Human Resources – S Mokwena | <ul style="list-style-type: none"> <li>- Correct identified incorrect payments.</li> <li>- Correct payment rates on the VIP payroll system.</li> <li>- Check and monitor payment rates on the VIP system.</li> </ul>  |
| 47                                 | Annual leave approved after being taken  | Human Resources – S Mokwena | <ul style="list-style-type: none"> <li>- Memo on query to dept managers</li> <li>- Memo on report deviations to HR officer</li> <li>- One-to-one brief with dept managers by HR officer</li> <li>- Memo to employees</li> </ul>   |
| <b>VALUE-ADDED TAX</b>             |  |                             |   |
| 49                                 | Input VAT incorrectly claimed from a non-vendor                                      | WWTW – R Phaswane           | Recommendation by the AG to be implemented  |
|                                    |  |                             | Ongoing   |

|                                       |   |                     |  |                         |
|---------------------------------------|---|---------------------|--|-------------------------|
| 50                                    | VAT claimed on incomplete invoices  | Admin – P Kungwane  | Input VAT will be claimed on valid tax invoices only.                            | Implemented and ongoing |
| <b><u>ACCOUNTS PAYABLE</u></b>        |   |                     |  |                         |
| 53                                    | Unrecorded liabilities identified   | Admin – P Kungwane  | Improve document flow from all departments.                                      | Ongoing                 |
| 54                                    | Long outstanding reconciling items on the bank reconciliation                                   | Admin – P Kungwane  | Corrected; monthly review of accounts performed                                  | Implemented and ongoing |
| <b><u>OTHER MATTERS</u></b>           |   |                     |  |                         |
| 55                                    | Lack of updated policies and procedures   | Finance – P Avenant | Tender to appoint consultants to be finalised                                    | 30 June 2012            |
| <b><u>ADMINISTRATIVE MATTERS,</u></b> |   |                     |  |                         |
| <b><u>LAWS AND REGULATIONS</u></b>    |   |                     |  |                         |
| 56                                    | Non-compliance with the MFMA section 87(8)  | Finance – P Avenant | Implementation of e-workflow system  | 31 March 2012           |
| 58                                    | Non-compliance with the municipal budget and reporting regulation 51 (GNR 393 of 17 April 2009) | Finance – P Avenant | The printed reports will be submitted to the City of Tshwane.                    | February 2012           |
| 59                                    | Payments made without complete supporting documents   | Admin – P Kungwane  | Will ensure that all the necessary documents are received before payment is made | 31 December 2011        |
| 61                                    | Petty cash vouchers not recorded to expense accounts  | Admin – P Kungwane  | Corrected  | Ongoing                 |

**6.2.11 Resolutions (30 November 2011) of the Audit and Performance Committee of Entities on the Auditor-General's audit report and management report**

1. That cognisance be taken of the Auditor-General's audit report and management report on Sandspruit Works Association for the 2010/11 financial year.
2. That the Chief Executive Officer of Sandspruit Works Association address the issues raised in these reports in the action plan that must form part of the entity's annual report for the 2010/11 financial year.
3. That Internal Audit address its lack of resources in a report for consideration at the next meeting.

**6.2.12 Resolutions (14 December 2011) of the Audit and Performance Committee of Entities on the SWA Annual Report 2010/11**

1. That cognisance be taken of the annual report of the Sandspruit Works Association for the 2010/11 financial year.
2. That the Chief Executive Officer of the Association communicate the recommendations of the Audit and Performance Committee of the City of Tshwane and its Municipal Entities on the annual report of the Association for the 2010/11 financial year to the Board of Directors of the Association.
3. That the Chief Executive Officer of the Association ensure that the annual report for 2010/11 is approved by the Board of Directors of the Association.
4. That the Chief Executive Officer of the Association ensure that its finalised annual report for 2010/11 be submitted to the City of Tshwane on or before 20 December 2011.

### 6.3 Tshwane Economic Development Agency (TEDA)

Tshwane Economic Development Agency SOC Ltd (TEDA) is a state-owned private company and was registered with the Companies Office on 23 June 2006 in terms of the Companies Act (Act 71 of 2008). Its registration number is 2006/019396/07.

TEDA was established as a municipal entity of the City of Tshwane on 2 November 2006.

The principal activity of TEDA is to facilitate economic development in the Tshwane area.

TEDA is dormant and not operational. TEDA does not have a board of directors or any employees. No service delivery agreement and comprehensive business plan or business case have been drafted. TEDA does not have a bank account.

The City of Tshwane is currently finalising the appointment of the board of directors of TEDA.

The share capital of TEDA is being held by Eitel Kruger on behalf of the City of Tshwane. He is also the sole director of TEDA. This is based on his being the custodian of the entity and the attorney of the City of Tshwane who established TEDA. The shares are being transferred to the City of Tshwane. The documents to register this transfer have been submitted to the CIPC.

All governance issues relating to TEDA have been addressed by the City of Tshwane, as TEDA has no board of directors.

Once the board of directors is appointed, the articles of association will be amended duly, the service delivery agreement between the City of Tshwane and TEDA will be finalised and a chief executive officer and staff will be appointed for the company.

The Auditor-General expressed an unqualified opinion on the annual financial statements of TEDA for the year ended 30 June 2011.

An emphasis of matter was raised on the going concern status of TEDA due to the following:

- The municipal entity has not commenced trading since incorporation in 2006.
- The municipal entity incurred a net operational loss of R25 074.
- As at the date of this report, the appointment of the board of directors has not been finalised.

The recommendations of the Audit and Performance Committee of the City of Tshwane and its Municipal Entities on the annual report of the Tshwane Centre for Business Information (CENBIS) for the financial year ended 30 June 2011 are as follows:

1. That cognisance be taken of TEDA's annual report for the 2010/11 financial year.
2. That the recommendations of the Audit and Performance Committee on TEDA's annual report for the 2010/11 financial year be included in TEDA's annual report.

3. That TEDA's 2010/11 annual report be consolidated with the City of Tshwane's 2010/11 annual report, which is to serve before the City of Tshwane Council on or before 31 January 2012 in compliance with section 127(2) of the MFMA.
4. That cognisance be taken that progress has been made with the appointment of a board of directors for TEDA.

In response to the Auditor-General's findings, the following corrective measures will be taken:

1) Going concern and commencement of operations of TEDA

The City of Tshwane is finalising the appointment of a board of directors for TEDA. Once the board has been appointed, the articles of association will be amended, the service delivery agreement between the City of Tshwane and TEDA will be finalised, a chief executive officer and staff will be appointed, and all the administrative, legislative and governance issues will be addressed.

b. Net loss from operations

The City of Tshwane as parent municipality of TEDA stands in for the accumulated deficit and liabilities of TEDA arising from the drafting of its annual financial statements for the 2010/11 financial year.

Since TEDA is not yet operational, the annual performance report for the year ended 30 June 2011 could not be drafted and the subsequent performance evaluation could not be done. There are also no outstanding amounts on services and taxes.

## 6.4 Civirelo Water

Civirelo Water NPC was established by the former Northern Pretoria Metropolitan Substructure (NPMSS) as a Section 21 Company and was registered with the Companies Office on 20 September 2000 in terms of the Companies Act, 1973 (Act 61 of 1973, as amended). Its registration number is 2000/024288/08.

Civirelo Water is a municipal entity of the City of Tshwane and is regulated in terms of the legislation applicable to entities of a municipality, ie Local Government: Municipal Systems Act (Act 32 of 2000, as amended), and the Local Government: Municipal Finance Management Act (Act 53 of 2003, as amended) and all regulations promulgated in terms thereof, as well as the Companies Act (Act 61 of 1973, which was replaced by Act 71 of 2008).

In terms of the articles of association, Civirelo's main business objective is to promote the management of sanitation services, water services and road services for communal benefit.

Civirelo Water is non-operational and was being disestablished in the period 1 July 2010 to 30 June 2011. The disestablishment was executed in compliance with a Council resolution dated 26 August 2010 and a transfer agreement signed by the City of Tshwane and Civirelo Water on 30 June 2010.

All assets and liabilities of Civirelo Water, which include the cession of the contracts of all projects of Civirelo Water, were ceded to the City of Tshwane in terms of the transfer agreement. The documents for deregistration of Civirelo Water were lodged with the Companies and Intellectual Property Commission (CIPC) on 30 June 2011. The deregistration ran from 29 August 2011 till 16 November 2011.

The Auditor-General expressed a qualified opinion on the statement of changes in net assets. This relates to the transfer of assets and liabilities to the City of Tshwane to the amount of R28 045 992 relating to the inventory. The Auditor-General's report stated sufficient audit evidence could not be obtained to verify the valuation of this amount.

The emphases of matter relate to:

- The going concern status of Civirelo due to its disestablishment; and
- Fruitless and wasteful expenditure of R125 867 incurred by Civirelo as a result of interest and penalties payable to SARS for the late and incorrect payment of PAYE charges.

The recommendations of the Audit and Performance Committee of the City of Tshwane and its Municipal Entities on the CENBIS annual report for the financial year ended 30 June 2011 are as follows:

1. That cognisance be taken of the annual report of Civirelo Water for the 2010/11 financial year.
2. That the recommendations of the Audit and Performance Committee of the City of Tshwane and its Municipal Entities on the annual report of Civirelo Water for the 2010/11 financial year be included in Civirelo Water's annual report.
3. That Civirelo Water's annual report for 2010/11 be consolidated with the City of Tshwane's annual report for 2010/11, which is to serve before the Council of the City of Tshwane on or before 31 January 2012 in compliance with section 127(2) of the MFMA.
4. That cognisance be taken that the deregistration of Civirelo Water has been finalised.

The following corrective action plan will be implemented:

1) Statement of changes in net assets

The matter will be followed up by the City of Tshwane's Housing and Sustainable Human Settlement Department with the Gauteng Housing Department (GHD) to investigate the possible recovery of the fund from GHD.

2) Going concern

Although Civirelo Water is being closed down, the financial statements are prepared on a going concern basis, as all assets and liabilities were transferred to the City of Tshwane on a going concern basis.

The documents for deregistration of Civirelo Water were submitted to the Companies and Intellectual Property Commission (CIPC) on 30 June 2011. The deregistration by CIPC began on 29 August 2011 and was finalised on 16 November 2011.

3) Fruitless and wasteful expenditure

Civirelo Water incurred penalties and interest for failure to pay over PAYE to SARS, as the municipal entity had been deregistered by SARS for PAYE purposes. The process to get the municipal entity registered again as an employer for PAYE purposes was lengthy. After the re-registration, PAYE was paid to SARS from April 2010.

The amounts were declared during the due diligence process conducted by the City of Tshwane in 2010 and provision was made for the liabilities in a Council resolution of 26 August 2010 as well as in the transfer agreement signed between the City of Tshwane and Civirelo Water on 30 June 2010.

The City of Tshwane appointed attorneys to recover the PAYE it paid to SARS on behalf of Civirelo Water, as set out in the transfer agreement. The matter was resolved.

As Civirelo Water was deregistered, penalties and interest will not be incurred again.

4) Additional and compliance matters

As Civirelo Water was deregistered, these matters will not re-occur.

Since Civirelo Water was not operational, the annual performance report for the financial year ended on 30 June 2011 could not be drafted and the subsequent performance evaluation could not be done, and there are no outstanding amounts on municipal services and taxes.

## 6.5 Tshwane Centre for Business Information (CENBIS)

The Tshwane Centre for Businesses Information (CENBIS) is a municipal entity of the City of Tshwane. Its principal activity is SMME development support.

The Council of the City of Tshwane resolved on 25 November 2004 to wind up CENBIS at the end of the 2005 financial year, as the Tshwane Economic Development Agency (TEDA) would be replacing it. CENBIS operations were discontinued during 2007 and the entity has been non-operational since then.

CENBIS was voluntary liquidated by the Master of the High Court in terms of the Insolvency Act (Act 24 of 1936, as amended) and the Companies Act (Act 61 of 1973, which was replaced with Act 71 of 2008).

The voluntary liquidation of CENBIS was registered by the Registrar of Companies on 26 July 2010. The Master appointed SAF Trust on 6 April 2011 to manage the liquidation. The first and final meeting of creditors was held on 1 June 2011.

The liquidation and distribution account was accepted by the Master of the High Court on 11 August 2011 and was published in the *Government Gazette* on 26 August 2011.

The documents to finalise deregistration of CENBIS were submitted to the Companies and Intellectual Property Commission (CIPC) in September 2011 and CENBIS can now be deemed deregistered.

CENBIS is regulated in terms of the Companies Act (Act 61 of 1973, which was replaced with Act 71 of 2008) as well as the legislation applicable to municipal entities, ie the Local Government: Municipal Systems Act (Act 32 of 2000, as amended), and the Local Government: Municipal Finance Management Act (Act 53 of 2003, as amended) and all regulations promulgated in terms thereof.

The Auditor-General expressed a qualified opinion on the annual financial statements of CENBIS for the year ended 30 June 2011 with regard to:

1) Property, Plant and Equipment

The Auditor-General indicated that there was insufficient appropriate audit evidence to verify the existence and completeness of an amount of R581 relating to property, plant and equipment which was derecognised.

2) Emphasis of matter

An emphasis of matter was raised regarding:

- The going concern status of CENBIS; and
- Additional and compliance matters.

The recommendations of the Audit and Performance Committee of the City of Tshwane and its Municipal Entities on the CENBIS annual report for the year ended 30 June 2011 are as follows:

1. That cognisance be taken of the CENBIS annual report for the 2010/11 financial year.
2. That the recommendations of the Audit and Performance Committee of the City of Tshwane and its Municipal Entities on the CENBIS annual report for the 2010/11 financial year be included in CENBIS's annual report.
3. That the CENBIS annual report be consolidated with the City of Tshwane's annual report for 2010/11, which is to serve before the Council of the City of Tshwane on or before 31 January 2012 in compliance with section 127(2) of the MFMA.
4. That an explanatory note on the cash flow movement on page 82 of the annual report be included.

Corrective action plan:

- 1) Property, Plant and Equipment

With deregistration of CENBIS these matters will not re-occur.

- 2) Going concern

The documents to finalise deregistration of CENBIS were submitted to the Companies and Intellectual Property Commission (CIPC) in September 2011. CIPC records state that CENBIS was voluntarily liquidated and for all practical purposes CENBIS is now deemed deregistered.

- 3) Additional and compliance matters

With deregistration of CENBIS these matters will not re-occur.

- 4) Cash flow movement

There was no cash flow movement during the 2010/11 financial year as indicated on page 8 of the annual financial statements (Annexure A to this report). CENBIS did not have a bank account, as it had been closed as part of the liquidation. The City of Tshwane appointed Price Waterhouse Coopers by way of tender to draft CENBIS's annual financial statements. The City of Tshwane as the parent municipality covered the cost of drafting the annual financial statements. This expenditure by the related party was disclosed under Clause 11 on page 13 of the notes to the audited annual financial statements.

Since CENBIS is non-operational, the annual performance report for the financial year ended on 30 June 2011 could not be drafted and the subsequent performance evaluation could not be done. There are also no outstanding amounts on municipal services and taxes.